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ABSTRACT

The Omnibus Budget Reconciliation Act of 1981 consolidated numerous federal programs into the education block grant and shifted primary administrative responsibility to states. States have to develop a formula to distribute 80 percent of their block grant funds to local education agencies, which have virtually complete discretion in deciding the use of funds. States have wide latitude in using the remaining 20 percent. Enrollment was a key factor for distributing funds to local agencies, but the formulas developed by the 13 states visited by the Government Accounting Office (GAO) varied greatly. Local education agencies spent over half of their school year 1982-83 funds on instructional materials and equipment. Of funds retained by the states, over 55 percent were reportedly used for education improvement and support services--essentially the same areas that were supported by the prior categorical programs. States made limited changes to organizational structures and procedures for managing the block grant. Overall, local education officials viewed the block grant as a more desirable way of funding education programs, while most interest groups that provided GAO information viewed it as less desirable. State officials were divided concerning the desirability of the block grant concept. (MLF)

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# Report To The Congress

OF THE UNITED STATES

U.S. DEPARTMENT OF EDUCATION
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## Education Block Grant Alters State Role And Provides Greater Local Discretion

The Omnibus Budget Reconciliation Act of 1981 consolidated numerous federal programs into the education block grant and shifted primary administrative responsibility to states. States have to develop a formula to distribute 80 percent of their block grant funds to local education agencies, which have virtually complete discretion in deciding the use of funds. While states do not control the vast majority of funds, they have wide latitude in using the remaining 20 percent.

Enrollment was a key factor for distributing funds to local agencies, but the formulas developed by the 13 states GAO visited varied greatly. Local education agencies spent over half of their school year 1982-83 funds on instructional materials and equipment. Of those funds retained by the states, over 55 percent were reportedly used for education improvement and support services--essentially the same areas that were supported by the prior categorical programs.

States made limited changes to organizational structures and procedures for managing the block grant. Overall, local education officials viewed the block grant as a more desirable way of funding education programs, while most interest groups that provided GAO information viewed it as less desirable. State officials were divided concerning the desirability of the block grant concept over the categorical approach.

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To the President of the Senate and the
Speaker of the House of Representatives

Various committees of the Congress requested that the General Accounting Office review the implementation of the block grants created by the Omnibus Budget Reconciliation Act of 1981. The enclosed report provides comprehensive information concerning the progress states are making in implementing the education block grant. It is one of several reports being issued on block grant implementation.

Copies of this report are being sent to the appropriate House and Senate committees; the Secretary of Education; the Director, Office of Management and Budget; and the governors and legislatures of the states we visited.

Charles A. Bowsher
Comptroller General
of the United States

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

# EDUCATION BLOCK GRANT ALTERS STATE ROLE AND PROVIDES GREATER LOCAL DISCRETION

## D I G E S T

The Omnibus Budget Reconciliation Act of 1981 substantially changed the administration of various federal domestic assistance programs by consolidating numerous federal categorical programs into block grants and shifting primary administrative responsibility to the states. This report focuses on one of those block grants--elementary and secondary education--and is one of a series GAO is issuing to give the Congress a status report on block grant implementation.

GAO did its work in 13 states: California, Colorado, Florida, Iowa, Kentucky, Massachusetts, Michigan, Mississippi, New York, Pennsylvania, Texas, Vermont, and Washington. Together these states received 45 percent of the national education block grant allocation and account for an equivalent portion of the nation's population. While these states represent a diverse cross-section, the results of GAO's work cannot be projected for the entire country.

### BLOCK GRANT MERGES NUMEROUS PROGRAMS AND ALTERS FUNDING LEVELS

Major federal involvement in elementary and secondary education came in 1965, when the Congress passed the Elementary and Secondary Education Act. This act doubled federal aid and established programs to help the educationally disadvantaged, provide instructional materials, promote innovation and research, and assist state education agencies. Between 1965 and 1981 the number of federal programs targeted for particular educational needs continued to expand. (See pp. 1 and 2.)

In 1981, Title V, Subtitle D, of the 1981 act significantly altered federal education programs. Chapter 2 of the act consolidated 38 categorical programs into the education block grant. The objectives of the education block grant are to reduce the administrative and

paperwork burdens associated with federal programs and to give states greater administrative responsibility. Also, the education block grant authorizes local education agencies to design and implement programs assisted with block grant funds. (See p. 2.)

Federal aid distributed to states for the education block grant was $440 million in 1982 and $450 million in 1983, down from a total of $510 million provided for the categorical programs in 1981. However, each state did not experience a proportional funding change because the block grant introduced a new method for distributing funds which differed from the various categorical approaches previously used. Between 1981 and 1983, funding changes in the 13 states ranged from a 23-percent increase in Vermont to a 35-percent decrease in New York. (See pp. 3 and 4.)

While the block grant legislation expanded states' administrative involvement, it limited their authority to determine how the vast majority of funds are spent. States are required to pass at least 80 percent of their block grant allocation to local education agencies, which have virtually complete discretion in deciding the use of funds. As a result, states' funding decisions focused on devising a formula to distribute the required funds to local education agencies and determining how to use the remaining 20 percent. (See pp. 9 to 11.)

## STATES ADOPT WIDELY VARYING DISTRIBUTION FORMULAS

The block grant legislation requires states to base their distribution formulas on the relative enrollment of public and nonpublic students within a local education agency's school district. These amounts are to be adjusted to provide higher per pupil allocations to local education agencies having the greatest numbers or percentages of children whose education imposes a higher than average cost, such as children living in sparsely populated areas. However, the act does not provide an all inclusive list of high cost factors.

The formulas developed by the 13 states to distribute funds to local education agencies varied greatly. Enrollment was a key factor in each state's formula, but the portion of funds distributed based on enrollment ranged from 40 percent in Massachusetts to 95 percent in Mississippi for those 10 states where such data were available. The 13 states also included at least 1 of 16 high cost factors in their formulas. However, the number of such factors used by states varied from one in Massachusetts to six in New York. The most frequently used factors were numbers of students eligible for federal assistance to meet the special needs of certain disadvantaged children (five states), population sparsity measured by students per square mile (five states), and limited English speaking capability (five states). (See pp. 11 to 14.)

ALMOST ALL OF THE 13 STATES RETAIN THE MAXIMUM PERMISSIBLE AMOUNT FOR THEIR OWN USE

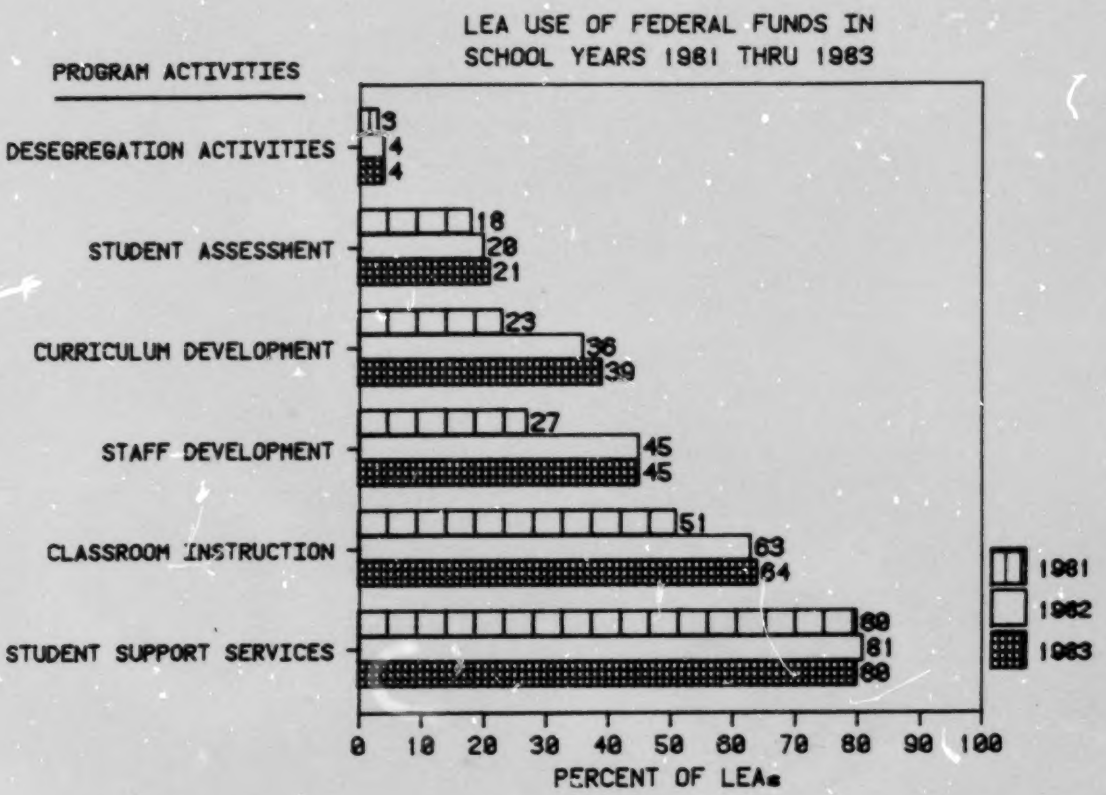
Eleven of the 13 state education agencies retained the full 20 percent of the states' block grant allocation to use at their own discretion in school year 1982-83, and the other 2 states retained nearly the full amount. State officials estimated that over 55 percent of these funds were used for educational improvement and support services, such as guidance, counseling, and testing programs, which were similar to those funded under the prior categorical programs. The remaining 45 percent was spread across a wide variety of activities. (See pp. 15 and 16.)

Although the 13 states generally retained the maximum permissible amount of education block grant funds for their own discretionary use, 8 states did choose to provide a portion of these funds to local education agencies and other entities. The percentage distributed to local education agencies ranged from 5 percent of the funds retained by Colorado to 52 percent in Texas. In total, the eight states distributed over $9 million dollars to local education agencies--29 percent of the funds they retained for discretionary use. (See p. 16.)

## LOCAL AGENCIES CONTINUE TO SUPPORT PRIOR PROGRAM ACTIVITIES

Local education agencies in the 13 states generally used prior categorical and block grant funds to support a range of program activities, including (1) student support services, such as libraries and counseling; (2) classroom instruction; (3) staff development, such as on-the-job training; (4) curriculum development; (5) student need and/or performance, such as diagnostic and proficiency testing; and (6) desegregation-related activities (e.g., offering special curriculums to attract students of different racial backgrounds).

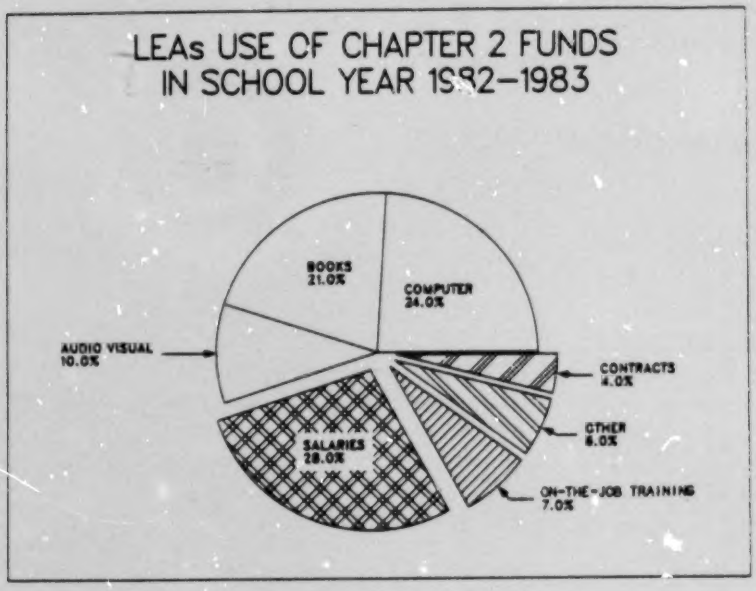
As shown in the following chart, the percentage of local education agencies using federal funds to support each of these activities increased between school years 1981-82 and 1982-83 and then remained relatively stable for the 1983-84 school year. (See pp. 20 and 21.)



However, the level of support provided to the program activities via federal funds changed under the block grant. Of the local education agencies that used education block grant funds to continue to support the same program activities during the first year of block grant implementation, at least 80 percent said they increased or maintained their level of support in all but one program activity--desegregation. About 2 percent of the local education agencies supported desegregation activities with prior categorical funds and continued to use block grant funds for this purpose. More than half of these local education agencies decreased their level of support. (See p. 22.)

## MOST FUNDS USED FOR INSTRUCTIONAL MATERIALS AND EQUIPMENT

Within the program activities, local education agencies in the 13 states reported that over half of their school year 1982-83 education block grant funds were spent on instructional materials and equipment, including books, computer equipment and programs, and audio-visual equipment. As shown below, however, the largest single expenditure area was salaries, and the larger local education agencies accounted for the vast majority of salary expenditures. (See pp. 22 and 23.)




Tear Sheet

## STATES CARRY OUT PROGRAM MANAGEMENT RESPONSIBILITIES

The administrative involvement states had with the prior categorical programs minimized the need for major organizational changes under the education block grant. The few organizational changes made were generally to consolidate categorical program offices. Although different approaches and emphases were noted, states were carrying out their management role by implementing federal requirements, monitoring, providing technical assistance, collecting data, and arranging for audits. (See pp. 25 to 34.)

Following block grant implementation, according to state officials, 9 of the 13 states made efforts to standardize or change administrative procedures and requirements, 10 spent less time and effort preparing applications and reports, and 5 improved planning and budgeting. While there were numerous indications of administrative simplification, specific cost savings could not be quantified. (See pp. 35 to 41.)

Overall, 73 percent of the local education agencies said the education block grant provided more flexibility in allocating funds and setting priorities. Fifty-eight percent said state-imposed requirements were less burdensome, while 4 percent viewed the requirements as more burdensome. The remaining 38 percent viewed the state-imposed requirements as equally burdensome as those imposed under the prior federal categorical programs. (See pp. 37 and 38.)

## LIMITED INVOLVEMENT IN PROGRAM DECISIONS BY STATE OFFICIALS AND LEGISLATURES

State education agency officials believe there has been increased involvement with federal education funds by some governors and the majority of legislatures. Overall, however, their level of involvement is low when compared with other block grants because most state education agencies are independent of gubernatorial or legislative control. Chief school officers in 11 of the 13 states are elected or appointed by a separate board of education and do not report to the governor. (See pp. 42 to 45.)

## SATISFACTION WITH STATE EFFORTS TO OBTAIN PUBLIC INPUT VARIES

States used several methods to obtain citizen input on how to use and distribute education block grant funds. Twelve reported holding executive or legislative hearings, and all 13 made draft plans available for public comment. Also, each state reported making great use of state advisory committees. (See pp. 46 to 49.)

Interest group satisfaction with state efforts to obtain input varied. Although not a representative sample of all the concerned public interest groups, about 64 percent of those who provided GAO information were satisfied with their access to state officials. Also, most groups reported satisfaction with the composition and role of advisory committees. However, most were dissatisfied with the availability of information before hearings. Interest groups that participated in different aspects of the public input process, such as testifying at hearings, were more satisfied than those not actively involved. Also, the interest groups were almost evenly split in their satisfaction with state responses to their key concerns. (See pp. 50 to 53.)

## OVERALL PERCEPTIONS DIFFER

Overall, local education agency officials viewed the block grant as more flexible and less burdensome than the prior programs and found it to be a more desirable way of funding education programs. However, state education officials' opinions were more mixed.

Of the 11 states where education officials provided their views, six states reported that the block grant was a more desirable funding mechanism than the prior categorical programs. These same officials generally said that the block grant was more flexible and less burdensome than the prior categoricals. In the other five states, one official saw no difference between the block grant and the categorical approach, while four believed the block grant was less desirable. One state attributed this to the limitations placed on the states' ability to control the local use of funds. (See pp. 53 to 54.)

Tear Sheet

Sixty-four percent of the interest groups that provided GAO information viewed the block grant as a less desirable method of funding education programs, while 21 percent found it preferable. The remaining 15 percent viewed the block grant and categorical approaches as equal. Dissatisfied interest groups were primarily those that believed state decisions on the allocation and use of funds had adversely affected the groups or individuals they represented. (See p. 54.)

AGENCY COMMENTS

Department of Education officials commented that this report provided useful information on state implementation of the education block grant. They provided oral comments, which were generally limited to technical matters, and these were incorporated, where appropriate, in this report.

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## ABBREVIATIONS

| | |
|---|---|
| ECIA | Education Consolidation and Improvement Act |
| ESEA | Elementary and Secondary Education Act |
| FY | fiscal year |
| GAO | General Accounting Office |
| LEA | local education agency |
| SAC | state advisory committee |
| SEA | state education agency |
| SY | school year |

# CHAPTER 1

## INTRODUCTION

The Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35) substantially changed the administration of various federal domestic assistance programs by consolidating numerous federal categorical programs into block grants and shifting primary administrative responsibility to the states. Of the nine block grants enacted, four relate to health services, one to social services, one to low income energy assistance, one to education, one to community development, and one to community services.

The 1981 act gives states more administrative control for all the programs consolidated into the block grant. Generally, it permits states to, within certain legislated limits, determine programmatic needs, set priorities, allocate funds, and establish oversight mechanisms. Since the act was passed, the Congress, as well as the public and private sectors, has been greatly interested in how the states have exercised their additional discretion and what changes the block grant approach has held for services provided to the people. In August 1982, we provided the Congress an initial assessment of the 1981 legislation in our report entitled Early Observations on Block Grant Implementation (GAO/GGD-82-79, Aug. 24, 1982).

Subsequently, we embarked on a program designed to provide the Congress with a series of comprehensive, updated reports on states' implementation of these programs. This report addresses the implementation of the elementary and secondary education block grant, commonly referred to as "Chapter 2." Previously issued reports in our block grant series are listed in appendix I.

## BACKGROUND OF THE ELEMENTARY AND SECONDARY EDUCATION PROGRAM

A major change in federal aid to education came in 1965, when the Congress passed the Elementary and Secondary Education Act (ESEA). The original legislation authorized programs of federal assistance in five titles: (1) Title I--Educationally Deprived Children; (2) Title II--School Library Programs; (3) Title III--Supplementary Education Centers and Services; (4) Title IV--Educational Research and Training; and (5) Title V--Strengthening State Education Agencies. The act doubled the federal share of elementary and secondary education expenditures and established a new pattern of intergovernmental relationships in education. Programs were funded to aid the educationally disadvantaged, provide instructional materials, promote educational innovation, support educational research, and assist state education agencies (SEAs).

In the last two decades, the federal government has expanded its commitment to elementary and secondary education by increasing federal funds from $477 million in 1960 to $8 billion in 1981. These funds have been primarily earmarked for specific categories, such as vocational education, consumer education, and metric education.

## EDUCATION CONSOLIDATION AND IMPROVEMENT ACT OF 1981

Title V of the Omnibus Budget Reconciliation Act of 1981 relates to education programs. Subtitle D, referred to as the Education Consolidation and Improvement Act (ECIA) of 1981, significantly affected elementary and secondary education programs. Chapter 1 of ECIA replaced Title 1 of ESEA, and Chapter 2 consolidated 38 categorical education programs authorized under the remaining titles of ESEA as well as certain other programs into a block grant program.[1]

The broad objectives of Chapter 2 are to reduce administrative and paperwork burdens, support the educational needs and priorities of SEAs and local education agencies (LEAs), transfer responsibility for program administration from the federal government to SEAs, and vest responsibility for the design and implementation of programs assisted under Chapter 2 to LEAs. The consolidation was effective on July 1, 1982, for all but the Follow Through Program, which was to be phased into the consolidation by October 1, 1984.

To receive funds, a state must file an application with the Secretary of Education which (1) designates the SEA as the agency responsible for administering and supervising activities supported with block grant funds; (2) provides for consultation between the SEA and the state advisory committee (SAC) appointed by the governor; (3) sets forth the planned allocation of funds reserved for state use; (4) provides for the dissemination of information about fund use and advisory committee recommendations; (5) provides for an annual evaluation of programs beginning in fiscal year (FY) 1984; and (6) contains assurance of compliance with federal law. The state must also agree to keep such records and provide such information as the Secretary of Education may reasonably require for fiscal audit and program evaluation, and assure it will not influence the LEAs' decision-making process regarding the expenditure of funds.

---

[1]Based on the Office of Management and Budget's September 22, 1981, listing of Catalog of Federal Domestic Assistance Programs replaced entirely or in part by the block grant. (See app. II.)

For an LEA to receive Chapter 2 funds, it must file an application with the SEA which (1) sets forth the planned allocation of funds among Subchapters A, B, and C of Chapter 2 and for authorized programs which it intends to support; (2) provides assurance that private, nonprofit school students will receive an equitable share of block grant funds; and (3) provides for systematic consultation primarily with parents, teachers, and administrative personnel. The LEA must also agree to maintain such records and provide such information as the SEA may reasonably require for fiscal audit and program evaluation.

Both SEAs and LEAs have virtually complete discretion concerning how to use their share of education block grant funds. They may support activities under one or all three broad categories referred to as subchapters. These subchapters include (1) Subchapter A--Basic Skills Development; (2) Subchapter B--Educational Improvement and Support Services; and (3) Subchapter C--Special Projects. (See pp. 14 and 15.)

## FUNDING OF ELEMENTARY AND SECONDARY EDUCATION PROGRAMS

Table 1.1 shows the trend in total federal, state, and local support for education programs between school year (SY) 1981-82 and SY 1983-84. As the table shows, the block grant comprises a very small portion of the total funds available. When considering just federal funds available for education, the block grant accounts for about 5 percent.

Table 1.1

Total Funding for Elementary and Secondary Education Programs

| | SY 1981-82 | | SY 1982-83 | | SY 1983-84 | |
|---|---|---|---|---|---|---|
| | Amount | Percent of total | Amount | Percent of total | Amount | Percent of total |
| | (billions) | | (billions) | | (billions) | |
| State | $ 55.10 | 48.6 | $ 58.33 | 48.4 | $ 62.57 | 49.0 |
| Local | 50.00 | 44.0 | 53.95 | 44.8 | 56.82 | 44.5 |
| Block grant | .51[a] | .4 | .44 | .4 | .45 | .4 |
| Other federal | 7.92 | 7.0 | 7.71 | 6.4 | 7.75 | 6.1 |
| | $113.53 | 100.0 | $120.43 | 100.0 | $127.59 | 100.0 |

[a]Funding for SY 1981-82 represents total funding for the categorical programs consolidated into the education block grant.

Also, table 1.1 shows that as combined federal funds declined from 7.4 to 6.5 percent of total funding over the 1981-83 period, state and local funds maintained or increased their share of total funding.

Block grant implementation brought an approximate 12-percent decrease in funding from the categorical programs' levels, but that decrease was not distributed equally to the states. For the 13 states in our review, state allocations varied considerably, ranging from a 23-percent increase in Vermont to a 35-percent decrease in New York, as shown in appendix III. The variation was partly attributed to (1) the institution of a single method for determining the amounts to be distributed as compared to the various approaches used under the prior categorical programs and (2) provisions in the block grant legislation requiring minimum state funding levels.

Under Chapter 2, the Secretary must distribute 93 percent of the funds appropriated to the states. Of the remaining 7 percent, 6 percent is to be used to fund the Secretary's discretionary program and 1 percent is to be used to make allotments to territories and possessions. The Secretary's discretionary fund supports activities that would help SEAs and LEAs improve elementary and secondary school programs. Part of the fund must be used to support three[2] mandated programs: (1) the Inexpensive Book Distribution Program, (2) the Arts in Education Program, and (3) the Alcohol and Drug Abuse Education Program. In addition, the Congress has directed the Secretary to continue support for the National Diffusion Network and to conduct evaluations and studies of Chapter 2. As shown below, the total amount of funds available for the Secretary's discretionary program has increased slightly since block grant implementation.

Secretary's Discretionary Fund

| | FY 1981 | FY 1982 | FY 1983 | FY 1984 |
|---|---|---|---|---|
| | (millions) | | | |
| Mandated programs | $10.7 | $10.7 | $10.7 | $12.5 |
| Other projects | 14.8 | 17.5 | 18.0 | 16.2 |
| Total | $25.5 | $28.2 | $28.7 | $28.7 |

[2]Public Law 98-312, dated June 12, 1984, added the law-related education program that was formerly authorized by part G of Title III, ESEA. This program provides funds for educational programs that enable students to become informed about the legal process and system and its fundamental principles.

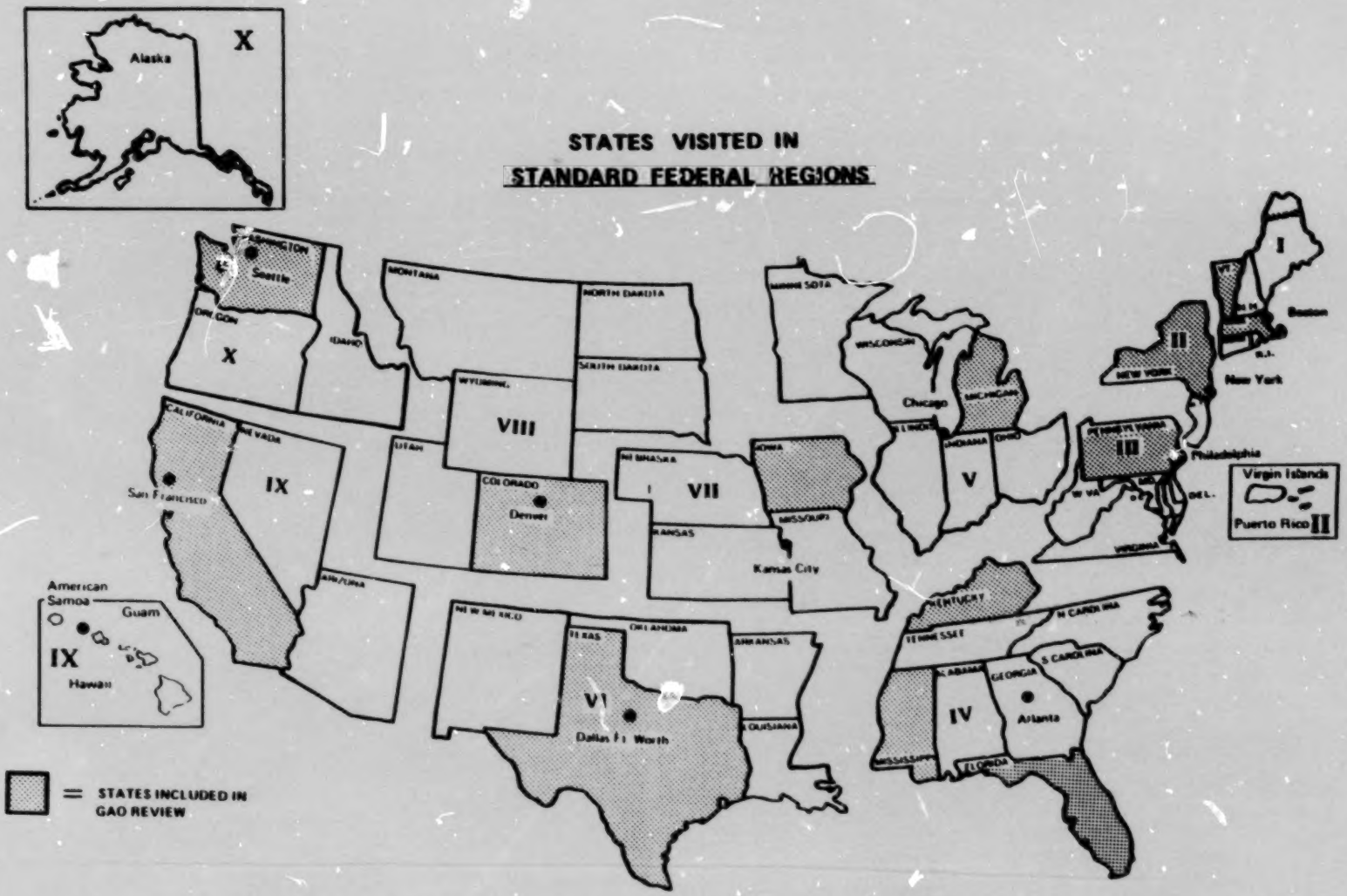
## OBJECTIVES, SCOPE, AND METHODOLOGY

Our primary objective in work on all block grants is to provide the Congress with comprehensive reports on the states' progress in implementing them. The information presented in this report was developed for the purpose of describing the status of the education block grant implementation and was not intended to evaluate states' effectiveness in devising or managing programs. To do that, as shown on the map on the following page, we did our work in 13 states: California, Colorado, Florida, Iowa, Kentucky, Massachusetts, Michigan, Mississippi, New York, Pennsylvania, Texas, Vermont, and Washington. These states were selected to attain geographic balance and to include states with (1) differing fiscal conditions and varying ranges of per capita incomes, (2) varying degrees of involvement by state executive and legislative branches in overseeing and appropriating federal funds, and (3) varying education delivery systems. At least 1 state was selected in every standard federal region, and in total, the 13 states accounted for approximately 45 percent of all block grant funds and an equivalent portion of the nation's population. In addition, these states received about 45 percent of the education block grant funds distributed and accounted for 38 percent of the nation's LEAs. Also, according to public school enrollment data, 11 of the 20 largest school districts in the nation are located in the 13 states. Our sample of 13 states was a judgmental selection and not intended for projection purposes.

Our review focused on how states are implementing the education block grant and what changes, particularly those related to the block grant, have occurred since the consolidation of the prior categorical programs. Information was obtained at three levels: Department of Education headquarters, the state, and LEAs.

At the federal level, we obtained financial data for fiscal years 1981, 1982, and 1983 and certain program information. Also, we discussed with headquarters officials the Department's policies for implementing and monitoring the program.

At the state and local levels, we used a wide variety of data collection instruments and approaches to obtain information from two overall sources: (1) individuals or organizations responsible for or having an interest in a single block grant and (2) individuals or organizations responsible for or having an interest in multiple block grants. These instruments were designed to gather consistent information across states and across block grants where reasonable and practical.



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The first set of information sources included state program officials responsible for administering the education block grant and LEA officials. The instruments we used to obtain information from these sources were a state program officials questionnaire, financial information schedules, a state audit guide, a local education officials questionnaire, and an administrative cost guide.

Almost identical versions of the program officials questionnaire and administrative cost guide were used for all block grants. The other three instruments had to be tailored to each block grant because of differences in the types of programs and services provided under each block grant and the manner in which financial information had to be collected.

To gather information on the education block grant on LEAs, we mailed a questionnaire to a representative sample of the 5,500 LEAs with enrollments exceeding 50 students located in the 13 states. Our sample was designed so that the results could be projected to all LEAs in the 13 states with a sampling error that did not exceed ±3 percent at a 95-percent confidence level. (See app. IV.)

The second set of information sources included representatives from the governor's office, various officials from the state legislature, and public interest groups. To obtain information from these sources, we used questionnaires which generally asked about the respondents' specific experience with block grants and obtained perceptions concerning the block grant concept.

The questionnaires sent to public interest groups solicited their views concerning how the state in which the group is located had implemented and administered the block grant. We identified interest groups through several sources, such as about 200 national level organizations; staff from a private organization with extensive knowledge about block grants--the Coalition on Block Grants; and officials in the states we visited. Although not a representative sample of all concerned public interest groups, we mailed out 1,662 questionnaires and received 786 responses, of which 179 indicated having at least some knowledge of their state's implementation of the education block grant.

A detailed discussion of the content, source of information, and method of administration for each data collection instrument is included in appendix V. Our work was done in accordance with GAO's "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions."

All questionnaires were pretested and subjected to external review prior to their use. The extent of pretest and review varied, but in each case one or more knowledgeable staff officials or other organizations provided their comments concerning the questionnaire or completed the questionnaire and discussed their observations with us.

Our fieldwork on the education block grant was primarily carried out between October 1983 and June 1984. At the conclusion of our work, a summary was prepared containing the data developed, using the financial information schedules, the program officials questionnaire, and the state audit guide. We briefed state officials on the information contained in the summary and gave them an opportunity to comment on its accuracy and completeness. Our summaries were modified, where appropriate, based on the comments provided by state officials. The final summaries, together with information received directly from questionnaire respondents, were used to prepare this report.

Additionally, we obtained information on state plans for auditing program expenditures. Because states were just beginning their audits at the time of our fieldwork, it was too early to evaluate the adequacy of the audits. Therefore, we concentrated on determining the status of state efforts to arrange for audits of block grant funds.

The following chapters focus on how funds were used under the education block grant, the changes that have been made at the state and LEA levels, the changes that have been made to state organization and management, as well as the extent to which citizens, state elected officials, and interest groups have been involved in processes that led to decisions on how block grant funds would be used.

## CHAPTER 2

## STATES' DECISIONS INCLUDE DETERMINING FUNDING PRIORITIES AND FUND DISTRIBUTION

Chapter 2 of ECIA gives states greater involvement in administering elementary and secondary education programs than the prior categorical programs. However, even though they have assumed greater administrative responsibility, they are required to pass 80 percent of the state's Chapter 2 allocation on to LEAs, which have virtually complete discretion on how to use the funds. As a result, state program decisions primarily focus on determining how to use the retained funds and devising a formula to distribute Chapter 2 funds to LEAs.

Almost all the states are retaining for their own use the maximum amount of funds permitted by law--20 percent. These funds are being used to support program activities which are essentially consistent with the state boards of education priorities and are similar to those funded under the prior categorical programs. Also, states have developed a wide variety of distribution formulas which are essentially based to varying degrees on enrollment.

### STATES' USE OF RETAINED CHAPTER 2 FUNDS REFLECTS OVERALL STATE EDUCATION PRIORITIES

Although Chapter 2 expanded state involvement in federally funded education programs, the block grant legislation limits state authority over planning how the majority of funds will be used. Each state is responsible for developing a formula for distributing at least 80 percent of its Chapter 2 allocation to LEAs (see pp. 11 to 14); however, the SEA is prohibited from specifying or influencing how LEAs spend the funds. As a result, SEAs can determine the use of only the Chapter 2 funds they retain--up to 20 percent.

Officials in 9 of the 13 states told us that state decisions on how to use their share of the Chapter 2 funds were included in the overall state education planning process. Officials in these states indicated that they generally followed priorities developed for state-funded activities in determining the use of their portion of the Chapter 2 funds.

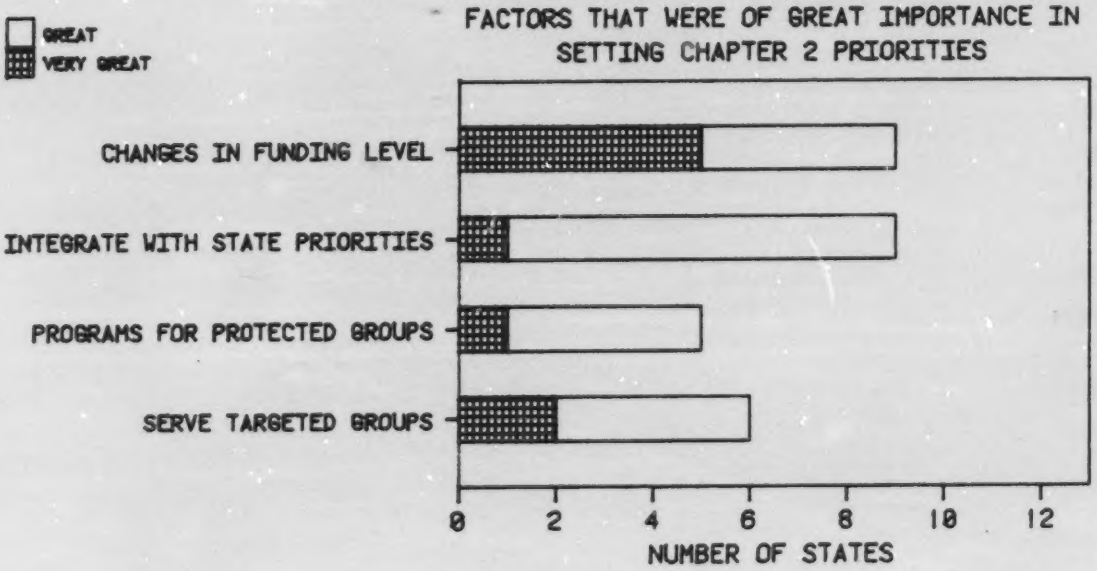
Also, in 10 of the 13 states the priorities determined through the planning process were consistent with state board of

education priorities. For example, one objective of Colorado's use of retained block grant funds was to support state board of education priorities not being met by state or federal categorical programs. Similarly, one objective of New York's use of retained Chapter 2 funds was to address priorities established by the Board of Regents, such as extending educational services to populations with special needs. In Massachusetts, the state portion of the Chapter 2 funds was used for staff salaries. This enabled the SEA to continue some programs and operations previously funded by the prior categorical grants and adopted by the state board as priorities.

Although state decisions on how to use retained Chapter 2 funds are included in the overall state planning process, each state's governor appointed a SAC as required by law to advise the SEA on the use of Chapter 2 funds. As discussed on page 46, the SACs had a major role in developing states' distribution formulas and in deciding how to use the states' portions of Chapter 2 funds.

States considered a number of factors when establishing priorities for using their portion of the Chapter 2 funds, as shown in chart 2.1. The majority of states considered the most important factors to be changes in the level of federal block grant funding and the desire to integrate their portion of the Chapter 2 funds with the priorities of state-funded programs.

CHART 2.1
PROGRAM OFFICIALS' OPINIONS ABOUT SELECTED FACTORS THAT WERE OF GREAT IMPORTANCE IN SETTING CHAPTER 2 PRIORITIES



At the time the education block grant was implemented, all states experienced changes in the level of federal funds available as compared to levels of funds provided under the prior categorical programs. (See p. 4.) As a result of such changes in federal funding, three SEAs told us they increased the use of state funding to support activities not funded with Chapter 2 funds. For example, in New York, the state legislature increased its funding of magnet schools[1] from $7 million to $13 million between 1983 and 1984 to help offset the decrease in support for desegregation activities (see p. 14). In the remaining 10 states, officials reported that no state funds were used to support education programs included in the block grant during the first 2 years following implementation.

Aside from changes in funding levels, program officials said that the desire to integrate block grant funds with state-funded program priorities was an important factor in using their portion of Chapter 2 funds. For example, a Michigan official explained that the state has the flexibility to use block grant funds as a source for state programs. Pennsylvania officials said that they had used prior categorical funds for normal LEA planning purposes, including needs assessments and monitoring, and had decided to complete the funding of the current planning period with Chapter 2 funds.

## STATES' DISTRIBUTION FORMULAS VARY GREATLY

SEAs are required to distribute at least 80 percent of their Chapter 2 funds to LEAs. The distribution is to be based on the relative enrollment of public and nonpublic students within an LEA's school district, adjusted to provide higher per pupil allocations to LEAs having the greatest numbers or percentages of children whose education imposes a higher than average cost. The block grant legislation provides examples of children that are regarded as "high cost": children from low-income families, children living in economically depressed urban and rural areas, and children living in sparsely populated areas. These examples are not all inclusive, however, and each SEA can identify its own high cost factors to be included in its formula.

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[1]A magnet school is a school or education center that offers a special curriculum capable of attracting substantial numbers of students of different racial backgrounds.

To comply with this requirement, all 13 states developed distribution formulas for use during SY 1982-83, and 12 states used the same formula for SY 1983-84. New York amended its formula by reducing from 8 to 6 percent a set aside for districts operating special programs to overcome racial isolation and poverty.

All 13 states except Florida used a separate formula to distribute education block grant funds to LEAs. Florida essentially used the same formula used to distribute state education funds because it was believed to be an equitable method for distributing Chapter 2 funds. Basically, it included such factors as (1) total full-time equivalent student membership of each program by school and district, (2) program cost factors based on relative cost differences between programs, and (3) district cost differentials.

Although Vermont used a separate formula to distribute Chapter 2 funds to LEAs, the formula was not developed specifically for the block grant. Vermont used the formula originally employed to distribute funds under the Instructional Material and School Library Resources categorical program. Program officials stated that they saw no need to change the formula since it was in place, working relatively well, and understood by the LEAs.

The Chapter 2 distribution formulas varied greatly among the 13 states. While all were based on enrollment as required by the block grant legislation, the percentage of Chapter 2 funds distributed to LEAs based on this factor varied greatly. For 10 of the 13 states where data were available, the percentage of funds distributed based on enrollment ranged from 40 percent in Massachusetts to 95 percent in Mississippi. Table 2.1 shows the percentage of Chapter 2 funds distributed based on enrollment versus the amount distributed based on the high cost factors included in the formulas.

Table 2.1

Percent of Funds Distributed Based on Enrollment and High Cost Factors

| State[a] | Enrollment | High cost factors |
|---|---|---|
| Colorado | 83 | 17 |
| Iowa | 75 | 25 |
| Kentucky | 84 | 16 |
| Massachusetts | 40 | 60 |
| Michigan | 58 | 42 |
| Mississippi | 95 | 5 |
| Pennsylvania | 60 | 40 |
| Texas | 73 | 27 |
| Vermont | 60 | 40 |
| Washington | 50 | 50 |

[a]The other three states (California, Florida, and New York) made allotments based on a weighted per-pupil formula whose mathematical structure does not explicitly identify the percentage of funds distributed based on high cost factors and enrollment.

Although the extent to which states used enrollment varied, it was the most influential factor in determining the distribution of Chapter 2 funds to LEAs in most of the 13 states. As table 2.1 shows, 7 of the 10 states distributed at least 60 percent of the Chapter 2 funds based on this factor. Nationally, the Department of Education found that during SY 1982-83, 37 states distributed at least 60 percent of their Chapter 2 funds based on enrollment, with 28 states distributing between 70 and 90 percent based on this factor.

In addition to enrollment, states used a wide variety of high cost factors in their distribution formulas. The 13 states used 16 of 19 high cost factors identified in a nationwide study completed by a Department of Education analyst. The factors most frequently used were (1) students eligible for Elementary and Secondary Education Act Title I funds directed toward educationally disadvantaged children (five states), (2) sparsity (students per square mile) (five states), and (3) limited English speaking students (five states). These factors were generally consistent with those cited in the Department's nationwide study as the most frequently used high cost factors. Other factors less frequently used included (1) gifted and talented students, (2) special education students, and (3) students needing basic skill remediation.

The number of high cost factors used by the 13 states ranged from 1 in Massachusetts to 6 in New York. States offered various reasons why specific high cost factors were included in

their formulas. For example, Massachusetts officials said they used the Aid to Families with Dependent Children low-income index factor because it tended to concentrate block grant funds in older cities most affected by a statewide referendum that reduced property taxes which support education. Michigan officials wanted to provide funds to agencies with greater educational needs as demonstrated by low achievement scores and to agencies in sparsely populated areas because a larger proportion of each school dollar is devoted to nonprogrammatic expenditures than in more densely populated areas. New York officials wanted to provide proportionally more assistance to LEAs in greater need as reflected by the numbers of certain high cost students, such as handicapped students, rural students, and pupils with special educational needs. They also wanted to consider a community's wealth based on property values.

Three states--California, New York, and Michigan--also included a factor to soften the impact of losing categorical funds from the former Emergency School Aid Act, which supported desegregation activities and accounted for about 30 percent of the funds consolidated into the education block grant. For example, to encourage the continuation of desegregation activities in SY 1982-83, New York set aside 8 percent of the total LEA allocation for distribution to districts operating special programs to overcome racial isolation and poverty. California's formula included desegregation factors, such as students in magnet schools, to help minimize the loss of Emergency School Aid Act money going to 29 school districts funding desegregation activities.

## FUNDS RETAINED BY THE SEAS ESSENTIALLY SUPPORT ACTIVITIES SIMILAR TO ANTECEDENT PROGRAMS

The block grant legislation permits state education agencies to retain up to 20 percent of their state's Chapter 2 allocation for their own use. The only restriction is that funds be used for activities that are consistent with the purposes of Chapter 2. These activities, which are outlined in Subchapters A, B, and C of the block grant legislation, include:

### Subchapter A: Basic Skills Development

SEAs can use Chapter 2 funds to develop and implement a comprehensive and coordinated program to improve elementary and secondary instruction in the basic skills of reading, mathematics, and written and oral communication.

Subchapter B: Educational Improvement and Support Services

Authorized activities include acquiring school library resources, textbooks, and other printed material; developing programs to improve local education practices; supporting guidance, counseling, and testing programs; funding programs and projects to improve the planning, management, and implementation of educational programs by both state and local education agencies; and funding desegregation-related activities.

Subchapter C: Special Projects

Authorized such programs as training and advisory services under Title IV of the Civil Rights Act of 1964, using public education facilities as community centers, implementing special education programs, and preparing students for employment.

Eleven of the 13 SEAs retained the full 20 percent of the state's Chapter 2 allocation for their own use in SY 1982-83. In California and Pennsylvania, the SACs recommended that the SEAs retain the full 20 percent; however, the state legislatures increased the amount to be distributed to LEAs. As a result, the percentages retained were reduced to 19.5 percent for California and 17.3 percent for Pennsylvania. In SY 1983-84 all SEAs but Pennsylvania and Texas planned to retain 20 percent of the state's Chapter 2 allocation.

In total, the 13 states retained approximately $39 million for SEA use in SY 1982-83. Of this amount, SEA officials estimated that about $3.3 million, or 8 percent, was used to support Subchapter A activities, and $2 million, or 5 percent, was used to support Subchapter C activities. The balance of $34 million, or 87 percent, was used to support Subchapter B activities and program administration. Based on available data, the states' proposed expenditures for SY 1983-84 among the three subchapters remained relatively unchanged.

State officials estimated that about $21.3 million (55 percent) of the SY 1982-83 funds were used to support Subchapter B activities and about $12.4 million supported administration. However, because Subchapter B includes such broadly defined activities as improving the planning, management, and implementation of educational programs, SEA officials took different approaches in classifying their activities between Subchapter B and administration. For example, Michigan and Vermont classified most of their state-level funds as administrative expenses.

Mississippi and Washington considered the entire 20 percent to be for administrative expenses, but designated only a portion for administrative costs and specified that the balance supported Subchapter B activities.

Because of the different approaches to classifying block grant funds as well as the consolidation of 38 categorical programs into three broad program categories, it was not practical to compare in detail the use of Chapter 2 funds and prior categorical funds. However, SEA officials said they were continuing to fund activities similar to those funded under the prior categorical programs. This tended to be supported by nationwide data developed by the Department of Education which indicated that 80 percent of Chapter 2 funds retained by the SEAs were used to support the broad categories of strengthening education agency activities, improving local educational practices, purchasing library resources and materials, developing basic skills, and assisting LEAs undergoing desegregation.

Although the states continued to fund basically the same types of activities that were funded under the prior categoricals, the extent to which SEAs passed along a portion of their 20-percent funds to LEAs and other educational entities varied. Eight of the 13 states used competitive and noncompetitive grants and contracts to pass through over $9 million to LEAs and other educational entities in SY 1982-83. This represented 29 percent of the funds retained by the SEAs for use at their own discretion. However, the percentage distributed to LEAs ranged from 5 percent in Colorado to 52 percent in Texas.

For example, the Texas SEA awarded grants to LEAs totaling $2.9 million of its $5.5 million of Chapter 2 funds, specifically to support desegregation assistance, teacher centers, and the basic skills program. Michigan allocated $400,000 (11 percent of its retained funds) to continue prior projects and initiate innovative activities, such as improving school and community relations, that officials believed might not be funded by LEAs. California used about $1.5 million (18 percent of its retained funds) to support local assistance grants and contracts for such activities as improving youth employment, developing community education, and improving academic curriculum. The Florida state legislature earmarked about $1.2 million (38 percent of the SEA's Chapter 2 funds) for an elementary foreign language program to help LEAs cope with the state's emerging economic and cultural ties with other countries.

Of the five SEAs that did not pass along their funds to the LEAs in SY 1982-83, four stated that the SEAs' portion of the Chapter 2 funds was used primarily to support SEA staff and consultants. Iowa allocated its Chapter 2 funds primarily for

statewide programs. According to Iowa officials, funds for these programs were used primarily to pay consultants and curriculum specialists. The consultants provided direct services and technical assistance to LEAs.

Prior categorical funds used in same general areas

In addition to the Chapter 2 funds, the block grant legislation permitted SEAs to retain any FY 1981 prior categorical funds unobligated as of July 1, 1982. The SEAs had until September 30, 1983, to spend these funds and could spend them in accordance with the more flexible requirements of Chapter 2.

Although complete data were not available on the amount of carryover funds available in all states, we identified a total of $32 million for these states. In eight of these states officials reported that at least 84 percent was used to continue activities similar to those originally supported. For example, Massachusetts officials told us they used all $390,000 of their carryover funds for administrative purposes and for direct services or technical assistance to LEAs in the same programs funded before the block grant. Vermont carried over $91,000, of which the SEA retained $53,000, primarily to administer prior categorical program activities. The remaining $38,000 was distributed to LEAs for use in the programs for which the funds were originally intended.

Carryover funds in the other five states were handled differently. For example, New York combined the carryover funds with the SEA's 20-percent funds and distributed them among four statewide program areas. In Florida, although most carryover funds were used in the same categorical program areas, about $700,000 (14 percent) was shifted into the Strengthening State Education Agency Management Program.

CONCLUSIONS

Because states are required to pass on at least 80 percent of the Chapter 2 funds to LEAs, they can plan for using only the remaining 20 percent of their Chapter 2 allocation. These funds were generally used by the 13 states to support priorities that were consistent with state boards of education priorities. In establishing these priorities, the majority of states considered changes in the level of federal funding and the wish to integrate Chapter 2 funds with the priorities of state-funded programs as the most important factors.

States have developed a wide variety of formulas to distribute Chapter 2 funds to LEAs. Although all the formulas are based on enrollment, the percentage of Chapter 2 funds distributed to LEAs based on enrollment varied greatly among the states. States also included a number of different high cost factors in their distribution formulas, ranging from one in Massachusetts to six in New York.

Eleven of the 13 SEAs retained the allowable 20 percent of the state's Chapter 2 allocation for their own use. Over 55 percent of these funds were reported used to support broadly defined Subchapter B activities, which are similar to those funded under the prior categorical programs. The extent to which SEAs provided a portion of their 20-percent funds to LEAs varied among states. Eight SEAs distributed over $9 million, or 29 percent of the funds they retained, to LEAs in SY 1982-83, while the remaining five did not pass on any of these funds and used them to support staff and consultants.

## CHAPTER 3

## LEAS' USE OF CHAPTER 2 FUNDS VARIES

Ninety-eight percent of the LEAs in our 13 states received Chapter 2 funds during the first year of the block grant. LEAs' decisions on how to use Chapter 2 funds involved various groups, with teachers and school administrators playing the greatest role. The LEAs tended to continue supporting program activities that had been supported under the prior categorical programs. We estimate that LEAs used over 50 percent of their SY 1982-83 Chapter 2 funds to obtain instructional materials and equipment, but over 25 percent of Chapter 2 funds also were used to support salaries, primarily by large LEAs.

### VARIOUS GROUPS HELP SET LEA FUNDING PRIORITIES

LEA officials told us that various groups were involved in deciding how Chapter 2 funds were to be used.[1] Over 50 percent of the LEAs indicated that the following groups were at least moderately involved in setting funding priorities or objectives: local school boards, teachers, parents, public school administrators, school building advisory committees, and district level advisory committees.

According to at least one-third of the LEAs, three of these groups were greatly involved in setting funding priorities or objectives. Specifically, 90 percent of the LEAs said that school administrators were greatly involved, while 58 percent cited teachers, and 38 percent listed district level advisory committees.

### LEAS PLANNED TO USE MOST FUNDS IN SUBCHAPTER B

To receive Chapter 2 funds, LEAs must file an application with the SEA which indicates, among other things, how the LEA intends to use such funds. The legislation gives LEAs virtually complete discretion in determining the use of funds, requiring only that they support activities consistent with the purposes of Chapter 2. These activities are essentially the same as

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[1]See appendixes IV, VI, and VII for a detailed description of GAO's survey and sampling methodology and the percentage of LEA responses to various survey questions.

those the SEAs are permitted to fund and include Basic Skills Development under Subchapter A, Educational Improvement and Support Services under Subchapter B, and Special Projects under Subchapter C. (See pp. 14 and 15 for detailed descriptions of programs and activities.)

Some 5,700 LEAs, or 98 percent of the LEAs in the 13 states, received in total over $155 million in Chapter 2 funds during SY 1982-83 and $163 million for SY 1983-84. LEAs in 12[2] of the 13 states planned to use $9.9 million (8 percent) of SY 1982-83 funds to support Subchapter A activities, $99 million (81 percent) to support Subchapter B activities, and $11.7 million (10 percent) to support Subchapter C activities. The remaining $1.5 million (1 percent) was used to administer the overall Chapter 2 program. Based on our review of available proposed expenditure data for SY 1983-84, this distribution of funds among the three subchapters will continue relatively unchanged.

Within Subchapter B, the LEAs said that they planned to use $53 million, 54 percent of the funds, to support activities similar to those authorized under the prior Instructional Materials and Library Resources Program and $25 million, 25 percent of the funds, to support activities similar to those authorized under the prior Improvement in Local Educational Practices Program. The remaining 21 percent was planned to be spent on various other activities, such as comprehensive guidance, counseling, and testing programs.

PROGRAM ACTIVITIES FUNDED HAVE NOT CHANGED

LEAs generally reported that they used block grant funds to support program activities similar to those supported under the prior categorical programs. These activities include

--student support services (e.g., libraries, counseling, and student enrichment);

--classroom instruction;

--staff development or staff support services (e.g., in-service or on-the-job training and teacher centers);

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[2]California's Chapter 2 funds are excluded from this discussion. The $33.2 million received by the state was distributed to 1,100 eligible LEAs, but comprehensive data concerning how LEAs planned to use these funds were not collected for the first year of the block grant.

--curriculum development;

--student needs and/or performance assessment (e.g., diagnostic and proficiency test development); and

--desegregation-related activities (e.g., magnet schools).

The percentage of LEAs using prior categorical and Chapter 2 funds to support these program activities increased between SY 1981-82 and SY 1982-83 in all six categories and remained relatively unchanged in SY 1983-84. For example, as chart 3.1 shows, 51 percent of the LEAs used categorical funds for classroom instruction in SY 1981-82. The portion of LEAs using Chapter 2 funds to support these activities increased to 63 percent in SY 1982-83 and to 64 percent in SY 1983-84.

CHART 3.1
LEA USE OF FEDERAL FUNDS IN
SCHOOL YEARS 1981 THRU 1983

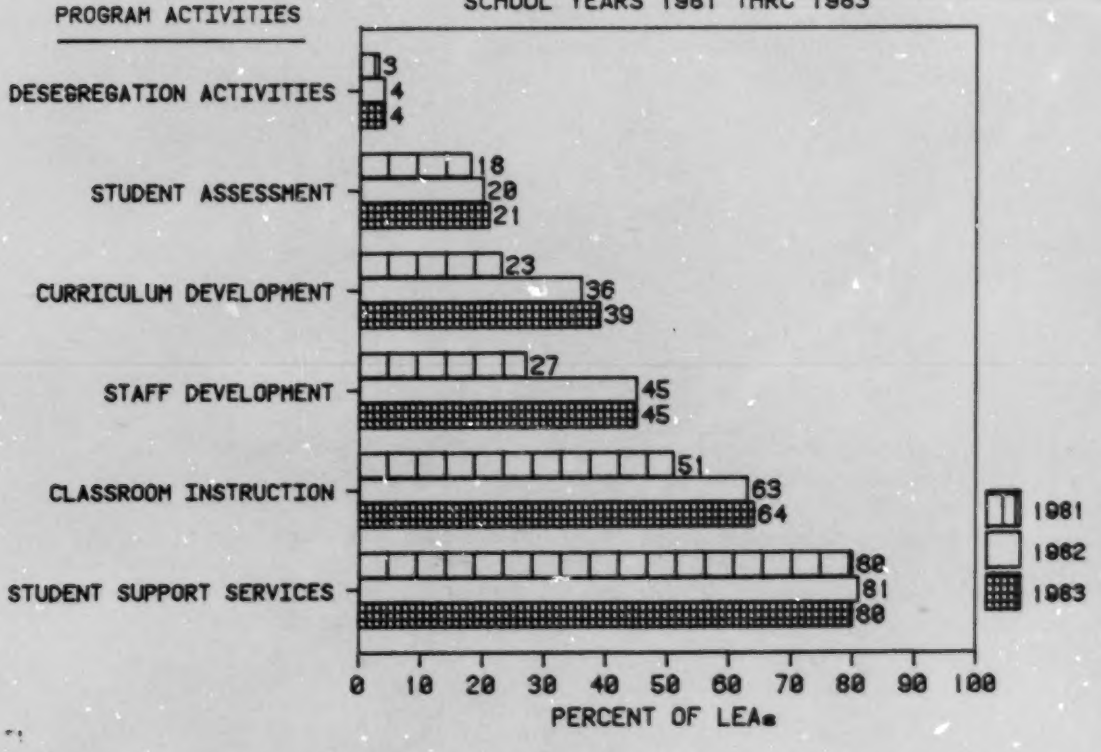


Table 3.1 shows the estimated percentage of LEAs in the 13 states that used categorical and block grant funds to support the program activities listed above in both SY 1981-82 and SY 1982-83. The table also shows the estimated percentage of those LEAs that increased, maintained, or decreased their level of support for the respective activities. In essence, at least 80 percent of the LEAs indicated that they either maintained or increased their level of support in five of the six program activities. In contrast, 57 percent of the LEAs that funded desegregation activities--the sixth activity--decreased their level of support.

Table 3.1

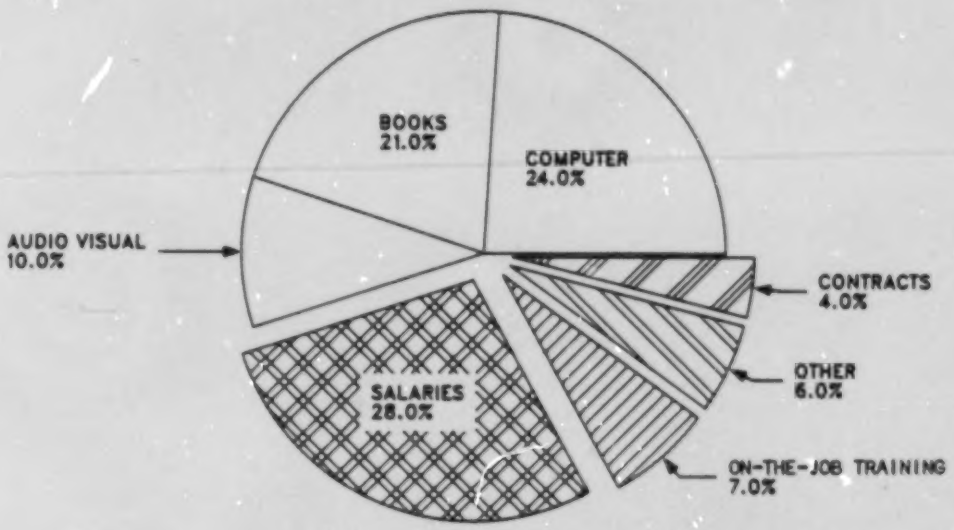
Percentage of LEAs that Continued to Support Program Activities For School Years 1981-82 and 1982-83

| Program activities | Estimated percentage of LEAs | Level of support | | |
|---|---|---|---|---|
| | | Increase | Same | Decrease |
| Student support services | 61 | 55 | 29 | 16 |
| Classroom instruction | 35 | 58 | 28 | 14 |
| Staff development/ support services | 16 | 49 | 31 | 20 |
| Curriculum development | 14 | 48 | 37 | 15 |
| Student needs/assessment | 8 | 48 | 38 | 14 |
| Desegregation-related activities | 2 | 16 | 27 | 57 |

## MOST CHAPTER 2 FUNDS SPENT ON INSTRUCTIONAL MATERIALS AND EQUIPMENT

LEAs included in our sample said that they were spending over half of their Chapter 2 funds on instructional materials and equipment, including the purchase of books and other materials, computer equipment and programs, and audio-visual equipment. As chart 3.2 shows, LEAs spent a total of 55 percent of their SY 1982-83 Chapter 2 funds on instructional materials and equipment; however, the largest single expenditure area (28 percent) was for salaries.

## CHART 3.2
## LEAs' USE OF CHAPTER 2 FUNDS IN SCHOOL YEAR 1982–1983




NOTE: BOOKS, AUDIO VISUAL, AND COMPUTER ARE INSTRUCTIONAL MATERIALS

While salaries and instructional materials/equipment accounted for over 80 percent of the Chapter 2 funds spent in SY 1982-83, the percentage of LEAs using funds for these purposes varied greatly. Some 64 percent of the LEAs in the 13 states used Chapter 2 funds to purchase books and materials, and 54 percent purchased computers and computer programs. In contrast, 19 percent of the LEAs used funds to support the largest single expenditure area--salaries. Of the LEAs using Chapter 2 funds to support salaries during SY 1982-83, large LEAs accounted for 90 percent of these expenditures.

## CARRYOVER FUNDS USED TO SUPPORT ORIGINALLY INTENDED PURPOSES

Similar to its treatment of the SEAs, Chapter 2 permitted LEAs to retain any prior categorical funds unobligated as of July 1, 1982. The LEAs had until September 30, 1983, to spend these carryover funds and could do so in accordance with the greater flexibility provided by Chapter 2. The LEAs surveyed in the 13 states, however, generally reported using carryover funds to support the program activities for which they were originally intended. Twenty-eight percent of the LEAs in the 13 states had carryover funds from SY 1981-82. Of these, 86 percent said that in most, if not all, cases they used carryover funds to support the same program activities in SY 1982-83 as the funds were originally intended for in SY 1981-82.

## CONCLUSIONS

Various groups were involved in deciding how Chapter 2 funds were to be used, with school administrators and teachers cited as being the most greatly involved. The types of program activities LEAs opted to fund were essentially the same as those funded under the prior categorical programs. These activities included student support services, classroom instruction, staff development, curriculum development, student needs, and desegregation. The percentage of LEAs using funds for these activities increased in the first year following block grant implementation, and the level of support for five of the six activities generally increased. However, the level of support for desegregation activities reportedly decreased in most cases during SY 1982-83.

During SY 1982-83, over 50 percent of the Chapter 2 funds were used for instructional materials and equipment. The largest single expenditure area for Chapter 2 dollars, however, was salaries. Most frequently, larger LEAs tended to use their funds for this purpose.

## CHAPTER 4

## STATES MADE LIMITED CHANGES TO ORGANIZATIONAL STRUCTURES AND PROCEDURES FOR MANAGING THE EDUCATION BLOCK GRANT

The reduction in regulations accompanying the block grant was designed to give states and LEAs the opportunity to provide services more efficiently. Because major categorical programs previously used the SEA/LEA administrative system, this system was already in place for use under the block grant. Consequently, organizational changes were limited, but nine states reported reducing administrative staff.

Under the education block grant, states have assumed a grant management role, which includes implementing federal requirements, monitoring, providing technical assistance, collecting data, and arranging for audits. To a large extent, similar activities were already required of the states under the prior categorical structure. State officials did note decreases in monitoring and data collection activities. The block grant's reduced federal requirements, together with the management flexibility provided to the states, produced numerous indications of administrative simplification. However, overall administrative cost savings could not be quantified.

### ORGANIZATIONAL CHANGES LIMITED

The education block grant legislation requires states to designate the SEA as the administering agency for the block grant. In each of the 13 states, the state's department of education served as the SEA. SEAs receive federal funds on a formula basis and are required to pass on at least 80 percent of these funds to their LEAs.

Before the block grant implementation, the SEA/LEA administrative system was used to carry out major categorical programs. Consequently, the basic SEA/LEA administrative framework was already in place for use under the block grant. Five of the 13 states did make some organizational changes, primarily to consolidate program offices or better coordinate individual programs. In addition nine states reported making reductions in administrative staff. For example, before the block grant, Florida's categorical programs were administered by various bureaus of the state's Department of Education, Division of Public Schools. The block grant enabled the state to organize and administer the block grant program under one bureau, which,

according to state officials, allowed for a reduction in administrative personnel. Also, Texas disbanded two specific offices, and state officials reported that this allowed emphasis to be placed on broader educational objectives. The Vermont Department of Education streamlined its organization and consolidated many programs. The number of divisions in the department was reduced from seven to three.

## STATES ARE CARRYING OUT GRANT MANAGEMENT RESPONSIBILITIES

Under the education block grant, the management role of the states includes implementing federal requirements, monitoring, providing technical assistance, collecting data, and arranging for audits. To a large extent, similar management activities were required of the states under the prior categorical programs. All states were carrying out their management responsibilities, although different approaches and emphases were noted.

### States and LEAs implement federal requirements

Under the block grant, states must assure that certain federal requirements are met, including (1) performing an annual evaluation of program effectiveness beginning in FY 1984, (2) retaining records and information which may be required for a fiscal audit and program evaluation, and (3) fostering equitable participation of children enrolled in private nonprofit elementary and secondary schools. Federal requirements imposed on LEAs were generally a reiteration of those imposed on the SEA plus specified application and reporting procedures (see pp. 2 and 3).

#### States plan for evaluations of program effectiveness

The block grant legislation requires that, beginning in FY 1984, states conduct an annual effectiveness evaluation of the block-grant-funded programs and that this evaluation be provided to the SAC for comment and be made available with such comments to the public. The legislation does not provide guidance on how these evaluations should be carried out.

At the time of our fieldwork, all 13 states had developed or were developing their evaluation procedures. Most states require LEAs to complete a self-evaluation of their block grant program. These self-evaluations may cover such areas as the number of students served by and staff involved in the program; the amount of funds expended on the program; and program descriptions, objectives, and accomplishments. Three states plan

to follow up on these evaluations through phone calls or site visits.

For example, Vermont's SAC developed a three page self-evaluation form for LEAs. This form is to be filled out by each LEA superintendent, beginning in SY 1984-85. It requires a narrative program description and quantifiable statistical data on the use of funds. Review teams consisting of local district members and representatives from the SAC and the state's Department of Education plan to verify the self-evaluation forms using on-site spot checks at the LEA level. Program officials noted, however, that these plans are still tentative.

In Florida, each LEA will complete an annual report, detailing objectives accomplished, funds expended, and number of students and staff participating in each block-grant-funded program. Data from LEA application forms and reports of on-site monitoring visits of LEAs will also be used.

In addition to reviewing programs at the LEA level, at least seven states, at the time of our review, indicated that they were also planning to evaluate those programs funded with the moneys retained by the state. For example, Mississippi required each division receiving Chapter 2 funds to prepare a report which describes objectives, activities, results, and achievement of objectives. The SAC also selects some for on-site verification and/or further reviews.

Several state officials voiced concern about the lack of federal guidance regarding annual evaluations. Michigan officials said that a lack of consistent evaluation data among the states will prevent making valid national comparisons. Colorado officials were concerned because the federal government could require the state to produce data in an alternative form, thereby placing additional burdens on the LEAs and the state.

State program officials in 11 of the 13 states said they requested federal technical assistance concerning reporting and evaluation requirements. Four of the 11 states said they did not receive the requested assistance. Five of the seven states that received assistance said it was at least of some help, while two states said it was little or no help. Twelve states indicated that additional federal assistance would be useful. U.S. Department of Education officials maintained that the Department is neither authorized nor required by statute to provide the explicit guidance requested by the states in these areas. Although federal officials maintain that evaluation criteria should be developed at the state level, they did participate in a national Chapter 2 evaluation conference whose purpose was to develop these criteria.

Because of the limited federal technical assistance, state officials said that many states have been working together. According to Florida officials, states have been discussing progress, problems, and proposed approaches for satisfying the evaluation requirements. Colorado officials noted that, in addition to conferring with officials in other states, they also received input from national groups and associations.

### Recordkeeping requirements have not changed significantly

Officials from most states said that their recordkeeping requirements have not changed significantly as the result of block grant implementation. SEAs and LEAs are required to keep records needed for fiscal audits and program evaluations. Officials in Colorado and Vermont explained that such records were also maintained under the prior categorical programs. Neither the legislation nor federal regulations specify the types of records that SEAs or LEAs should retain. State officials indicated that records may include such items as the block grant award notices; the LEA applications; LEA assurances of compliance with federal regulations; and budget, expenditure, and progress reports.

Although states indicated that recordkeeping requirements have not changed significantly, 5 of 13 reported a reduction in the volume of recordkeeping. This was primarily because states now have to maintain one set of records for the block grant rather than individual sets for each of the prior categorical programs.

### States use several approaches to assure equal opportunity for private school participation

The legislation also requires states to provide for the equitable participation of private nonprofit school students in block grant programs. To help assure equitable participation, states have taken a variety of measures, including (1) requiring assurances in LEA applications regarding equitable participation, (2) requiring LEAs to notify each private school in their district of the availability of funds and programs, (3) requiring LEAs to document private school refusals to participate, (4) monitoring LEAs, (5) soliciting comments from private school officials on draft plans, and (6) appointing private school representatives to the SAC.

Based on the responses of LEAs surveyed in the 13 states, we estimated that the percentage of LEAs serving nonpublic school children increased from 23 to 29 percent between

SY 1981-82 and SY 1983-84. Also, we estimate that the number of nonpublic school students served by these LEAs increased from about 767,000 to at least 1.3 million for the same period.

Ten of the 13 states indicated that the private school participation requirement did not affect their state's ability to effectively manage the block-grant-funded program. Five states noted that a private school participation requirement existed under the prior categorical programs or that private schools were already involved in these programs.

Three states reported that the private school participation requirement had a positive effect. For example, Florida officials elaborated that the appointment of private school representatives to the SAC had a positive effect on their degree of involvement in block grant funding decisions.

In contrast, California districts reported that the involvement of private schools has complicated their activities by increasing the amount of time, services, and funds spent in (1) contacting the schools, (2) conducting needs assessments, (3) purchasing materials, (4) conducting inventories and labeling, (5) monitoring, and (6) evaluation.

In Vermont, state program officials said that private schools were pleased to be placed on equal footing with public schools for receiving block grant funds. Public schools, according to these officials, were not as pleased since some received less funding.

Monitoring activities
have decreased in most states

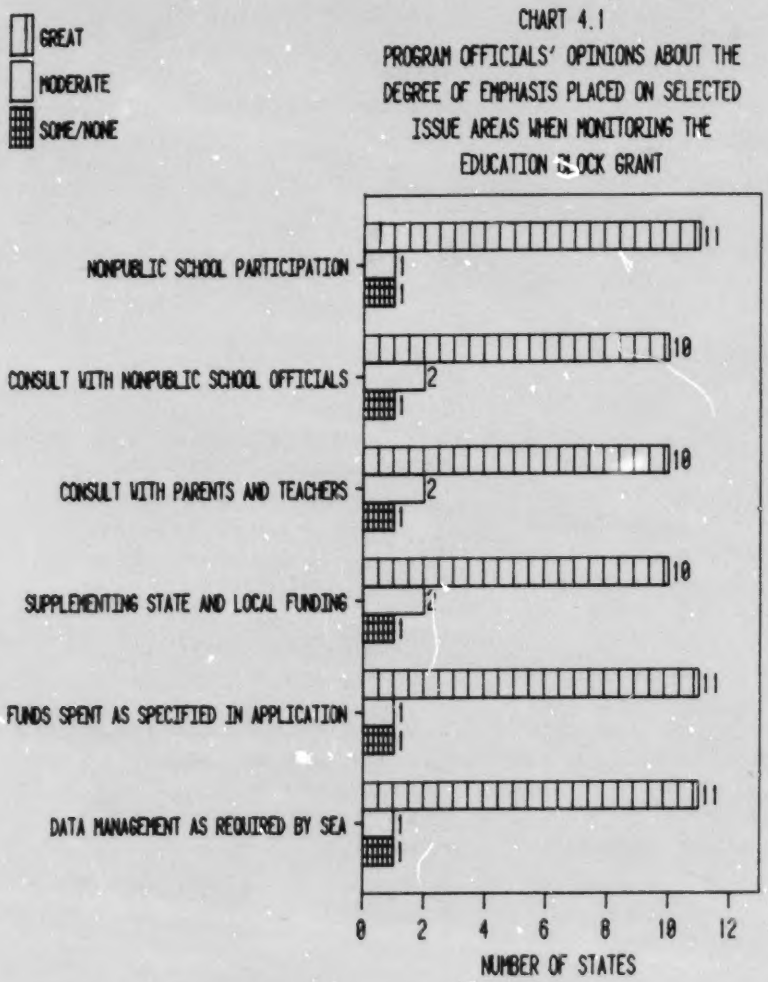
Officials in most states reported that the administrative staff reductions and program consolidation associated with block grant implementation have decreased the extent of state monitoring activities. Nevertheless, each of the 13 states reported monitoring LEA compliance with federal and state requirements and used a variety of monitoring techniques.

Officials in 10 of the 13 states reported some decrease in state monitoring. For example, officials in New York and Washington explained that decreases were attributed partly to reduced staff and funding. New York and Colorado officials also attributed the decreases to the block grant legislation, which does not require SEAs to monitor LEAs. In Michigan, officials attributed the decrease to consolidation of a large number of categorical programs into one program.

Kentucky was the only state to indicate some increase in monitoring activities as a result of the block grant. Iowa and Texas officials told us the block grant had no effect on their monitoring activities.

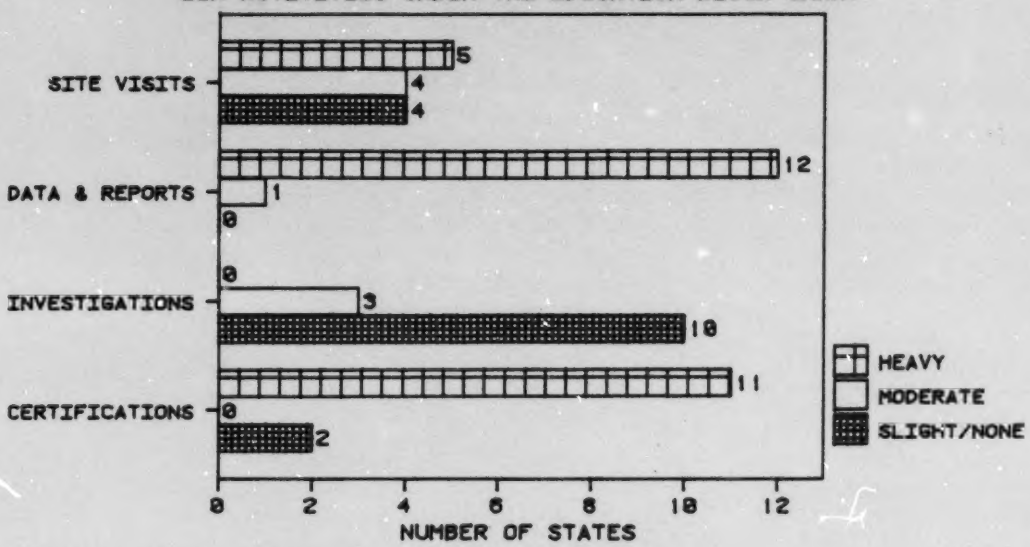
States monitor LEA use of block grant funds in conjunction with their use of funds from other sources for at least some LEAs. For example, the majority of states indicated that they monitor at least some LEAs' use of both state and block grant funds.

State program officials also indicated that they emphasized a number of restrictions and issues when monitoring LEAs. As shown in chart 4.1, there was considerable consistency in the degree of emphasis placed on monitoring selected federal restrictions and issues related to the use of funds.



As shown in chart 4.2, states relied heavily on data and reports submitted by the LEAs as well as on certifications of compliance contained in LEA applications to monitor LEAs. Investigation of complaints was relied on the least.

CHART 4.2
PROGRAM OFFICIALS' OPINIONS ABOUT THE EXTENT THEY RELIED ON SELECTED TECHNIQUES TO MONITOR LEA ACTIVITIES UNDER THE EDUCATION BLOCK GRANT




## All 13 states provide technical assistance

Officials in all 13 states reported providing technical assistance to LEAs. In addition, 13 states also indicated that they provided technical assistance to nonpublic schools. States provided assistance on a wide range of subject areas, including federal requirements regarding funding and civil rights and state requirements concerning applications, evaluations, use of funds, and state audits. States also provided technical assistance concerning data collection, program and fiscal management, and program delivery.

The primary methods used to provide technical assistance to LEAs were telephoning, letters, and other state written guidance. Many states also used state/regional conferences to convey information to LEAs. State officials indicated that site visits were the least used method.

## Data collection efforts have decreased

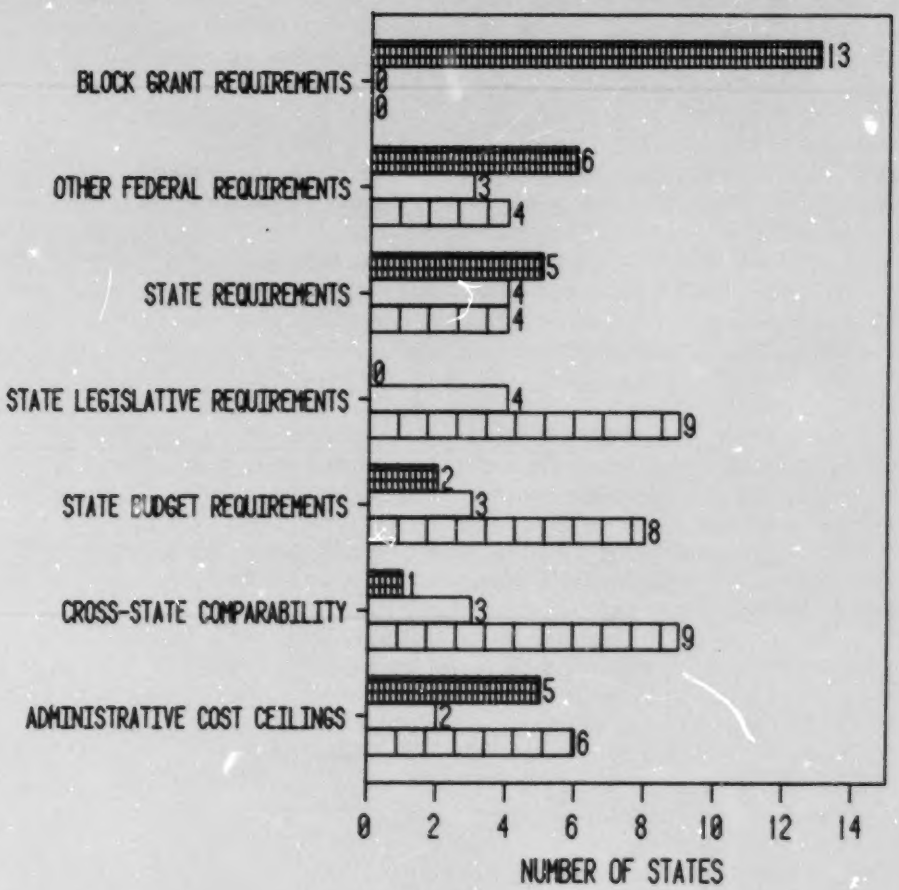
At the time of our review states were collecting information on programs supported with block grant funds. The most common types of data collected include size of population eligible for the program, measures of eligible population needs, educational level of the student population served, handicapped/disabled status of student population served, geographic location or residence of student population served, quantity and quality of services delivered, and measures of program effectiveness. No data were collected on the sex and income level of the student population served.

Officials in 8 of the 13 states told us that the amount of funds spent for collecting, maintaining, and analyzing descriptive and evaluative information has decreased since block grant implementation. While the Department of Education maintains that the legislation requires only minimum information from the states, chart 4.3 on the following page shows that, nevertheless, the block grant and other federal requirements are considered the main impetus behind state data collection efforts, according to state officials.

Officials in 11 of the 13 states reported that additional data would be at least somewhat useful, but collection barriers exist. The types of additional data considered most useful were those relating to quality of services delivered and measures of program effectiveness. State officials said that the major barriers to increased data collection may include the belief that the collection effort would be a burden to LEAs, the need for additional staff and/or resources at the state level, and measurement difficulties in defining or obtaining information.

CHART 4.3

PROGRAM OFFICIALS' OPINIONS ABOUT THE INFLUENCE SELECTED FACTORS HAD ON EDUCATION BLOCK GRANT DATA COLLECTION



## States arrange for audits of block grant funds

State audits of block grant funds are an oversight feature of the legislation. States are required to obtain biennial audits of the education block grant and to provide copies of the audits to the Department of Education. Generally, state auditors plan to conduct state-level education block grant audits as part of single department-wide audits. State officials told us that GAO's "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions" will be used for these audits. Although there is a biennial audit requirement, most states plan to conduct annual audits covering their state's fiscal year.

According to information obtained from the Department of Education on 9 of the 13 states, California, Colorado, and Texas were the only states with a completed state-level education audit as of October 1984. However, three states had education block grant audits in process, and three others were planning audits. Of the remaining four states in our review, information we gathered as of October 1984 indicates that one state had an audit in process and three were planning audits.

The Texas audit was performed by the state auditor and involved an examination of the financial statements of the Texas Education Agency for the year ended August 31, 1982. The audit concluded that the agency's financial reports and claims for advancements or reimbursement to federal agencies were accurate and complete. The Texas audit was for a period which included only 2 months of block grant implementation. At the time of our review, the state was planning other audits. California's State Auditor General conducted a single state-wide audit for the year ended June 30, 1983. Included in this audit was the California Department of Education, which administers the education block grant. The report noted several internal control and compliance deficiencies and contained recommendations for improving the department's financial accounting and reporting practices.

LEAs are audited by either a state auditor or an independent public accountant. These audits are conducted on an entity-wide basis that covers all the LEA's funds, including block grant funds. Most states indicated they plan to audit their LEAs annually. While no comprehensive data were available for all 13 states, data we obtained from state officials indicate that, as of October 31, 1983, about 1,400 LEA audits had been completed in 4 of the 13 states and about 200 were in process.

## BLOCK GRANT IMPLEMENTATION ACCOMPANIED BY ADMINISTRATIVE SIMPLIFICATION

Block grant implementation was accompanied by reduced federal administrative requirements in such areas as preparing applications and reports. In addition, the block grant legislation and regulations gave states the flexibility to establish procedures they believed were best suited to managing programs efficiently and effectively. Together, these block grant attributes were intended to simplify program administration and reduce costs.

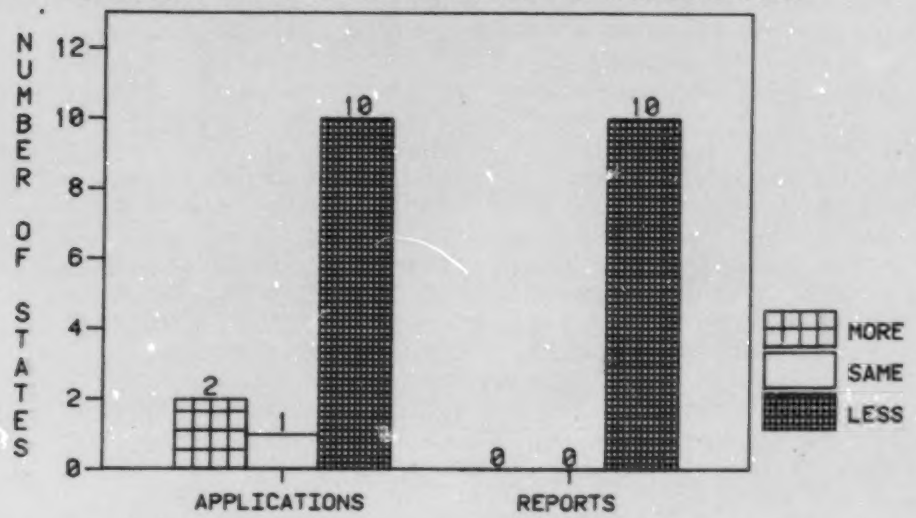
States generally view education block grant administrative requirements as less burdensome than those attached to the prior categorical programs. Reductions in time spent on preparing applications or reports were attributed by some states to the consolidation of the large number of categorical programs into one block grant requiring just one application and one report. In addition, most states have standardized administrative procedures for LEAs, and some states also noted that the block grant has facilitated improvements in planning and budgeting.

### Less time and effort spent preparing applications and reports

Under the prior categorical programs, management activities, such as application preparation and reporting, had to be done for the various programs in accordance with specific federal regulations. The block grant consolidated the number of applications and gave states greater discretion to approach these management activities in accordance with their own priorities and needs. As shown by chart 4.4, most states noted spending less time and effort preparing federally required block grant applications and reports than they had for the prior categorical programs.

CHART 4.4

PROGRAM OFFICIALS' OPINIONS ABOUT THE EFFORT INVOLVED IN APPLYING FOR AND REPORTING ON THE EDUCATION BLOCK GRANT COMPARED TO CATEGORICALS




Officials in 10 of the 13 states said that they spent less time and effort preparing the block grant application than they had preparing applications under the prior programs. Further, officials in 6 of these 10 states noted that the application requirements had a positive effect on the state's ability to manage block grant programs. Officials in Michigan, Pennsylvania, and Texas explained that the block grant application took less time and effort to complete because it replaced the multiple applications previously required.

Kentucky officials said they spent about the same amount of time and effort preparing applications, while Washington and California officials said they spent more time and effort. For example, California officials explained that most of the prior categorical program funds did not go through the state education department and much time was spent organizing the advisory committee and addressing the concerns of those individuals interested in the effects of federal funding reductions on programs.

States were previously required to submit a report for each categorical program in which they participated in accordance with specific federal regulations. As discussed (see pp. 26 to 28), the block grant requires states to prepare an annual program effectiveness evaluation of the block-grant-funded programs beginning with FY 1984. Officials in 10 of the 13 states said that less time and effort was spent fulfilling federal reporting requirements under the block grant. The three remaining states were unable to judge. Texas officials explained that previously the state was required to collect data for seven programs. With the implementation of the block grant, there is now only one program for which minimal data are collected and an annual evaluation prepared.

Officials in 5 of these 10 states said the block grant reporting requirements had a positive effect on program management. For 3 of the 10 states, officials indicated that the reporting requirements had a negative effect. New York officials commented that federal reporting requirements are not clearly defined by either statute or regulation.

Block grant facilitates improvements in administrative procedures and planning and budgeting

Since block grant implementation, 9 of 13 states have made efforts to standardize or change administrative procedures and requirements. The types of changes reported include standardizing and/or streamlining LEA application, monitoring, and evaluation forms. For example, according to Vermont officials, their new streamlined LEA application form is less burdensome and requires less time for LEAs to complete and for the state to summarize and evaluate. A Kentucky official said that standardized forms for monitoring and evaluating LEA performance have been adopted.

Of the nine states which reported that they had made efforts to standardize administrative requirements, officials from two states considered the block grant to be the primary motivating factor and officials from three others considered it to be one of several major factors.

As shown in table 4.1, administratively, 58 percent of the LEAs considered state requirements under the block grant as less burdensome than those of the previous categorical programs. Specifically, our survey of LEAs in the 13 states showed the following:

Table 4.1

LEAs' Views Concerning Impact of Education Block Grant on Various Administrative Procedures

| Topic | Percent of LEAs | | | |
|---|---|---|---|---|
| | Less | Same | More | Uncertain |
| Degree of burden caused by state imposed requirements | 58 | 38 | 4 | 0 |
| Time and effort to prepare block grant applications | 49 | 43 | 8 | 0 |
| Time spent reporting to SEA[a] | 47 | 45 | 7 | 2 |
| Level of effort to collect, maintain, and analyze data | 18 | 53 | 25 | 4 |
| Amount of SEA monitoring | 22 | 51 | 27 | 0 |

[a]Does not equal 100 percent due to rounding.

Five of the 13 states reported improvements in state and local planning and budgeting. Colorado officials noted that LEA flexibility allows for greater local autonomy in decision making. New York officials reported a more comprehensive approach to allocating state-wide program resources. Seventy-three percent of the LEAs we surveyed said that the block grant provided more flexibility in allocating funds and setting program priorities.

## QUANTIFICATION AND COMPARISON OF ADMINISTRATIVE COSTS NOT POSSIBLE

As discussed in the previous section, states have experienced a variety of administrative simplifications since block grant implementation. In 1981, the administration asserted that administrative savings associated with the block grant approach could offset federal funding reductions. Others were less optimistic in their estimates of cost savings, but many believed that fewer layers of administration, better state and local coordination of services, fewer federal regulations and requirements, and better targeting of services would lead to cost savings.

However, while much was said about the administrative cost savings that might be achieved, little attention was focused on the methodology needed to quantify and measure such savings. Also, the perceptions of state officials generally suggest that administrative costs have been reduced but cannot be quantified.

Data unavailable to determine administrative cost savings

Essentially, two types of data must exist to determine specific administrative cost savings:

--Uniform administrative cost data at the state level based on uniform state definitions of administrative costs.

--Comprehensive baseline data on prior programs.

Only 2 of the 13 states have written definitions of administrative costs that apply to the education block grant. Officials in four other states provided unwritten definitions. Washington has an unwritten definition for those costs associated with the funds retained by the SEA. A written definition is provided by the state for those funds passed through to the LEA. The other six states have no definition. Those states defining administrative costs have definitions that include various types of costs and range from very general to very precise. Only four states have definitions that identify costs for LEAs.

In addition to differences in administrative cost definitions, there was variation among the states that had procedures for computing and documenting administrative costs, and a few states had no standardized procedures. Only five states have given LEAs instructions for computing administrative costs.

Although all 13 states were able to provide administrative cost data for the first year of the block grant, the costs cannot be compared across the states because of the differences or the absence of definitions and computation procedures. The ability to measure savings is also hampered by the lack of comprehensive baseline data on the cost of administering the prior categorical programs. At the state level, all 13 states had some information on the administrative cost of the prior categorical education programs which they had been responsible for administering. These states, however, could not provide information for all the programs consolidated into the block grant because a number of the programs were administered by the Department of Education, which provided funds directly to LEAs.

The inability to specifically determine administrative costs is not something new. In 1978, we reported[1] that despite growing interest in the administrative cost question, there was

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[1]The Federal Government Should But Doesn't Know the Cost of Administering Its Assistance Programs (GGD-77-87, Feb. 14, 1978).

no system for reporting information on the cost of staff resources used to administer individual assistance programs. As a result, data to enlighten the debates over the cost of program administration were fragmented and inconsistent. Essentially, that condition prevails for the education block grant today.

State officials provide varying perceptions about administrative costs

While there are numerous indicators of administrative simplification and management improvement, quantifying any overall administrative savings appears impractical. Therefore, the best indicators of administrative cost savings remain the perceptions of state officials who have had the greatest contact with administering the block grant and the prior categorical programs.

These perceptions tend to support the notion that the block grant has generally simplified the administration of federally supported education programs, although the specific impact on administrative cost cannot be quantified. For example:

--New York officials noted that one advantage of the block grant was a decrease in administrative costs at the state level. This reduction is caused partly by the fact that a major portion of the block grant funds is just passed through to LEAs. Officials also attributed the reduction to the consolidation of the predecessor categorical programs into the block grant, thus reducing the SEA's paperwork requirements.

--Pennsylvania SEA officials reported substantially reducing LEA paperwork requirements. LEAs are now required to submit only a short application form, including a short budget form, which lists the types of programs that will be funded and the amount of funds to be used in each program. Lengthy proposals, program descriptions, end-of-year reports (which often covered 100 to 150 pages), and final reports are no longer required. The Pennsylvania Department of Education's report evaluating the first year of block grants indicated that the paperwork reduction has been the most appreciated aspect. Similarly, a 1983-84 survey of the LEAs by the state's education department indicated overwhelmingly (94.8 percent) that LEAs believed paperwork has been reduced.

--Texas officials told us that they have not collected any information on the students, program services, or program effectiveness. They said they are taking the federal government at its word and are collecting mainly that information required by law. The intent of the

legislation is to reduce the paperwork and administrative burden on the LEAs, and this philosophy has been carried out in block grant implementation.

--The Vermont SEA consolidated records that were scattered throughout the state's Department of Education before the block grant. Under the block grant, recordkeeping is more centralized and greater coordination exists. Officials said that although the same type of information and records are maintained under the block grant as under the categorical grants, fewer people are needed to fulfill the requirements.

--Kentucky's Chapter 2 director noted that changing from categorical to block grants did not result in any significant administrative cost savings. According to this official, however, Kentucky has made no effort to quantify administrative cost savings.

## CONCLUSIONS

Under the education block grant, organizational changes were limited since states had previously used the SEA/LEA administrative system under the prior categorical programs. Several states did make organizational changes to consolidate program offices or better coordinate individual program offices. The majority of states also reduced the number of administrative staff.

States were carrying out a broad grant management role under the block grant. This included implementing federal requirements, monitoring, providing technical assistance, collecting data, and arranging for audits.

The reduced federal requirements and the management flexibility associated with the block grant produced numerous indications of administrative simplification. Many states reported spending less time preparing applications and reports for the federal government. Many states also reported specific management improvements related to planning and budgeting and the standardizing of administrative requirements. Administratively, although most LEAs feel that the block grant is less burdensome than the prior categorical programs, about 50 percent feel that it takes the same if not more effort to prepare applications, collect data, and prepare reports. However, overall administrative cost savings could not be quantified.

# CHAPTER 5

# INVOLVEMENT IN PROGRAM DECISIONS UNDER THE BLOCK GRANT APPROACH HAS INCREASED FOR STATE OFFICIALS AND PUBLIC INTEREST GROUPS

Because education agencies are often independent departments, governors and legislatures have had limited involvement with federally funded education programs. However, SEA officials believed that the education block grant stimulated some governors and a majority of legislatures to become more involved in program decisions than they had been under the prior categoricals. This was attributed, in part, to their respective roles in appointing federally mandated advisory committees and participating on these committees. In addition to appointing the required advisory committees, states took other steps to obtain public input. Most reported holding executive or legislative hearings and made available for public comment draft copies of their intended uses of the funds. Information from these sources was used in making state level program decisions, while LEAs relied heavily on advisory committees.

Although half of the interest groups that responded to our survey participated in public hearings and a quarter were actively involved with SACs, interest groups were only slightly more satisfied than dissatisfied with state efforts to facilitate public input.[1] Many interest group respondents preferred the prior categoricals because they believed state decisions on the use of block grant funds were adversely affecting their constituent groups. In contrast, a majority of local education officials in the 13 states said the education block grant gave them more flexibility and was a more desirable way to fund education programs. State officials' views were somewhat more mixed.

## TRADITIONALLY LIMITED INVOLVEMENT BY GOVERNORS AND LEGISLATURES

Because SEAs in most states are independent of gubernatorial or legislative control, governors and legislatures have traditionally had limited involvement with federally funded

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[1]These results were not intended to be viewed as either a universe or a representative sample of public interest groups knowledgeable about block grants.

education programs. According to legislative and gubernatorial staffs, this has generally continued under the block grant approach. In contrast, according to state program officials, although involvement is limited in comparison with other block grants, some governors and a majority of legislatures have increased their involvement with federally funded education programs.

None of the governors were reported by their staffs as having had a high degree of involvement in the education block grant. Governors in four states had a moderate level of involvement, while the remainder noted slight involvement or commented they had no basis to judge. Gubernatorial staff in five states explained that their governors were not highly involved in education program decisions because those decisions are the responsibility of separately elected chief state school officials. As shown in table 5.1, the chief state school officers in 11 of the 13 states do not report to the governor and are separately elected or are appointed by a board of education.

Table 5.1

Status of Chief State School Officers in 13 States, as of 1983

| | Appointed by governor | Separately elected or appointed by separately elected board of education |
|---|---|---|
| California | | x |
| Colorado | | x |
| Florida | | x |
| Iowa | x | |
| Kentucky | | x |
| Massachusetts | | x |
| Michigan | | x |
| Mississippi | | a |
| New York | | b |
| Pennsylvania | x | |
| Texas | | x |
| Vermont | | c |
| Washington | | x |

[a]Changed from elected to appointed by an appointive board in 1984.

[b]Appointed by a board selected by the legislature.

[c]Appointed by a board, with the governor's approval.

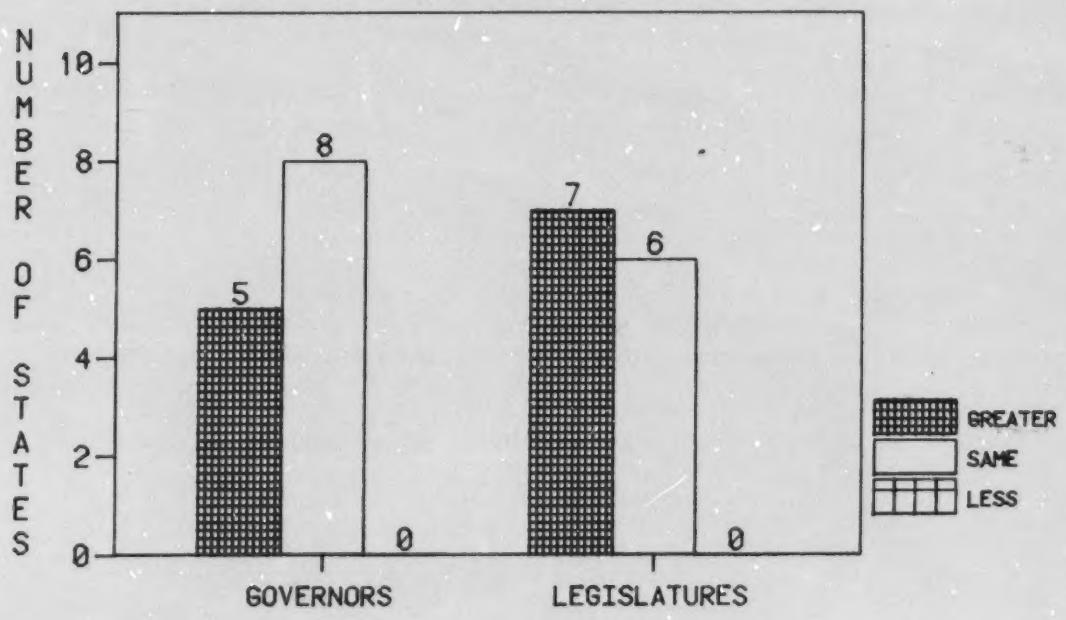
Source: Council of State Governments, The Book of the States, 1984-85, volume 25, Lexington, Ken., page 75.

In 9 of these 11 states, the governor's key involvement in the block grant decision-making process is through the appointment of the federally required SAC. This is in sharp contrast to many of the other block grants, where most governors were highly involved in making specific decisions concerning funding priorities and program administration.

The legislatures' involvement with the block grant is similar to that of the governors. Legislative staff in only 4 of the 13 states perceived a great degree of legislative involvement with the education block grant. This is similar to their level of involvement with the prior categorical grants, where staff in only two states reported that their legislatures had been greatly involved. Additionally, legislative staff in six states believed their legislatures were greatly involved with related state-funded education programs.

As shown in chart 5.1, state education program officials also saw the same or greater involvement by governors and legislatures as existed under the prior categorical approach. More state program officials noted greater legislative than gubernatorial involvement.

CHART 5.1
STATE EDUCATION AGENCIES' PERCEPTIONS OF GUBERNATORIAL AND LEGISLATIVE INVOLVEMENT WITH THE EDUCATION BLOCK GRANT COMPARED WITH PRIOR CATEGORICAL GRANTS



## Methods of gubernatorial and legislative involvement

Governors usually relied on their appointment of the SAC and their review of agency budget submissions to influence education block grant decisions. In addition, staff in several states said that their governors used other mechanisms to monitor block grant implementation. Gubernatorial staff in Florida said the governor played an important role in the initial acceptance of the block grant and used a wide array of mechanisms to monitor its implementation. For example, the governor, who chairs the state board of education, was greatly involved in developing proposals for authorizing legislation and reviewed agency regulations implementing the block grant.

Like many governors, state legislatures relied on the appropriations process to oversee block grants. Legislative staff in 8 of the 13 states indicated that federal funds were appropriated along with state funds for specific items or activities within the block grant. Three states separately appropriated education block grant funds on a lump sum basis, whereas Kentucky appropriated education block grant funds along with other block grant funds. Mississippi appropriated federal funds along with state funds for agencies, not programs. As an additional control or monitoring mechanism, many legislatures also relied on state agency reports on federal grant operations, including block grants.

Legislative staffs in 11 states said their legislatures made no significant changes in the education block grant proposals submitted by their executive branches. However, the California legislature maintained or increased funding for specific services under the block grant, and Florida's legislature reallocated 7.5 percent of the state's share to an elementary foreign language program.

Gubernatorial staff and legislative officials identified a number of block grant characteristics that had a positive effect on their involvement. The most commonly cited were the consolidation of related categorical programs and greater state authority to set program priorities. Conversely, some gubernatorial staff said that statutory block grant prohibitions and restrictions on the use of funds, such as the 80-percent pass-through requirement, tended to adversely affect the governor's ability to oversee block grant planning and implementation. Similarly, some legislative staff said these prohibitions, restrictions, and the earmarking of funds also tended to discourage legislative involvement.

## STATES USE VARIOUS METHODS TO OBTAIN PUBLIC INPUT

States accepting education block grant funds must create a SAC, appointed by the governor, that is broadly representative of educational interests and the general public. They must also publicly disseminate information about the SAC as well as information on the planned allocation of funds.

In addition to these federally mandated means of obtaining citizen input, program officials in 12 states told us they also held executive or legislative hearings, and all 13 states made draft plans available for public comment. Although state program officials said they used a variety of sources of input to reach decisions on the use of the block grant funds, most rated the use of SACs as most important.

### Great use made of state advisory committees

State program officials reported making great use of SACs to obtain citizens' views on the use of block grant funds. This group was used as a source of information for determining priorities or objectives for the state's retained Chapter 2 funds as well as for developing the formula for distributing funds to LEAs. The SACs in the 13 states focused solely on the block grant.

As required by the block grant legislation, governors in all states appointed to the SAC representatives of the state legislature, LEAs, nonpublic schools, teachers, parents (including PTAs), and organizations representing institutions of higher education. In addition, six states appointed representatives of organizations for the handicapped, and eight appointed representatives of racial or ethnic minorities. About a quarter of the interest groups we surveyed that had some knowledge of the education block grant were members of state-sponsored advisory committees. In a majority of cases, interest groups were satisfied with the composition and roles of these committees.

### Reports disseminated to the public

Program officials in the 13 states told us that they made drafts available to the public of their proposed use of 1982-83 education block grant funds. The most common method of disseminating this information was making it available at state agencies or other public places. SEAs often ensured that the SAC received drafts. Most states also sent them to LEAs and state legislators. A few states also made great use of newspapers and state mailing lists. LEAs in seven states commented on these

intended use plans more frequently than other groups. In four states, organizations representing public or private interest groups, such as teachers, also commented frequently. Program officials in six states said they made use of the comments received.

Interest groups were evenly divided in their satisfaction or dissatisfaction with state efforts to make plans available, the length of the comment period, and timing of the comment period in relation to when program decisions were made. At the time of our fieldwork, six states did not anticipate changing their methods for soliciting comments on draft plans; the remaining states were unsure.

All but four states have or plan to release annual reports on the SY 1982-83 federal block grant. These reports were most often sent to LEAs.

Many states conducted executive or legislative hearings

In SY 1981-82, before the education block grant, 5 of the 13 states reported conducting executive hearings on the prior categorical programs. However, for SY 1982-83, 11 states reported holding a total of 26 executive branch hearings on the education block grant. Most were held by the SEAs and covered only the education block grant. Similar to most other block grants, most hearings were held in state capitals.

The amount of effort devoted to executive hearings varied substantially among states. For example, the number of hearings ranged from six in Michigan to only one in each of four other states. The average attendance at hearings across the 11 states was 66, although in Mississippi, 8 people attended the single hearing held. Nine of the 11 states gave the public between 2 to 4 weeks' advance notice of hearings, primarily through announcements in newspapers, official state publications, or through state mailing lists. Kentucky and Vermont provided 1 to 2 weeks' prior notice.

State officials in 8 of the 11 states that held executive branch hearings also told us that copies of draft plans were available before all or almost all hearings. Drafts were available before only a few hearings in California and not available before any hearings in Colorado and Michigan.

Nine legislative committees in six states reported holding a total of 19 hearings addressing the use of the education block grant funds for SY 1982-83. Only four of these committees had held hearings in SY 1981-82 on the prior categorical programs.

Like executive branch hearings, most legislative hearings were held in state capitals with similar average attendance for those hearings for which data were available. However, only three of the legislative hearings focused solely on the education block grant. For the most part, these hearings were held in conjunction with appropriations for state-funded programs.

As with the executive branch hearings, there were some differences among states regarding notification. Six of the nine committees gave less than 2 weeks' advance notice. Two states relied on notices in public places as their primary notification method, while three others used state mailing lists. The balance used various other methods, such as newspaper announcements.

Fifty-two percent of the interest groups in our survey that had some knowledge of the education block grant said they attended or testified at either executive or legislative hearings. While those that gave an opinion were more satisfied than dissatisfied with the amount of advance notice, the time and location of hearings, and the amount of time allotted for testimony, 30 percent were satisfied with the amount of information, such as draft plans, available before hearings and 49 percent were dissatisfied. Also, 41 percent were dissatisfied with the timing of hearings relative to states' allocation decision-making processes (see app. VIII, table 2).

While none of the legislative committees believed their hearings had an effect on executive agency decisions, program officials in six states told us that public hearings--both executive and legislative--influenced their decisions. At the time of our fieldwork, only two states planned changes for future executive or legislative branch hearings. In Texas, officials plan to hold more executive branch hearings outside the state capital, and in Kentucky, the legislature plans to hold its first hearing for the 1983-84 block grant.

## Role of public input in state education block grant decision making

As shown in table 5.2, state program officials relied on a number of sources of information to determine how to use the states' portion of the education block grant funds and how to develop the formula for distributing the LEAs' portion of the funds. State program officials most frequently rated the SACs as being of great importance.

Table 5.2

Program Officials' Opinions Regarding Sources of Information That Were of Great Importance for Education Block Grant Decisions

| | State portion | LEA formula |
|---|---|---|
| | ----(number of states)---- | |
| Statistical measures of performance | 1 | 1 |
| Statistical measures of service needs | 2 | 4 |
| Comments on draft plans | 7 | 5 |
| Executive branch public hearings | 4 | 3 |
| Legislative public hearings | 0 | 1 |
| Advisory committees | 12 | 13 |
| Informal consultation with program officials | 4 | 5 |
| State-sponsored conferences or meetings | 5 | 3 |
| Other input from the general public | 4 | 3 |

Program officials in all states also made program changes based on SAC recommendations. In addition, six states made changes based on comments on draft plans, and six made changes based on information obtained through public hearings. Many of the changes made as a result of SAC recommendations were related to the distribution formulas. Hearings and comments on draft plans led to other types of changes. For example, in Texas hearings led to an increase in desegregation funds from the SEA's share of the block grant distributed to LEAs. In California, comments on draft plans led to the reallocation of funds in order to highlight staff development.

## LEAs RELY PRIMARILY ON ADVISORY COMMITTEES AND CONSULTATION TO OBTAIN PUBLIC INPUT

The education block grant requires systematic consultation by LEAs with parents, teachers, and others. Like the SEAs, local school districts relied heavily on advisory committees as their method of obtaining parental views. Our survey of different size school districts showed that a greater proportion of large districts relied on district level advisory committees (53 percent) than did smaller districts (36 percent). Small and medium-sized districts tended to rely more on consultation with interested parties than any other mechanism. Districts of all sizes also relied moderately on opportunities at school board meetings (about 53 percent) and the use of school building

advisory committees (about 43 percent). Districts rarely used special public meetings, district mailings, or solicited written comments as means of obtaining parental views.

Districts solicited the views of nonpublic school administrators primarily through direct consultation. Fifty-one percent of the medium school districts and 64 percent of the large school districts used consultations in the majority of instances, whereas 29 percent of small districts used consultations.

## PERCEPTIONS OF INTEREST GROUPS AND STATE AND LOCAL OFFICIALS

Many interest groups increased their level of activity with state officials, and by a slight margin, more were satisfied than dissatisfied with state efforts to facilitate interest group input into education block grant program decisions. However, they were almost evenly split in their satisfaction or dissatisfaction with state responses to issues that concerned them. Interest group respondents generally believed state decisions on the allocation and use of funds adversely affected groups they represented, and many saw block grants as a less desirable way to fund education programs. In contrast, local officials were generally pleased with the block grant approach, while state officials' views were mixed.

### Interest groups have mixed reactions to state efforts to facilitate citizen input

About 40 percent of the interest group respondents that had some knowledge of the education block grant told us they had increased their levels of activity with SEAs and/or state legislatures since block grant implementation.[2] About three-quarters of those groups responding to our questionnaire were statewide organizations. The remainder were county-level, regional, or multistate groups. These groups were involved in a wide range of activities to learn about or influence programs funded by the education block grant (see app. VIII, table 1). Chart 5.2 shows the degree to which the surveyed interest groups who had some

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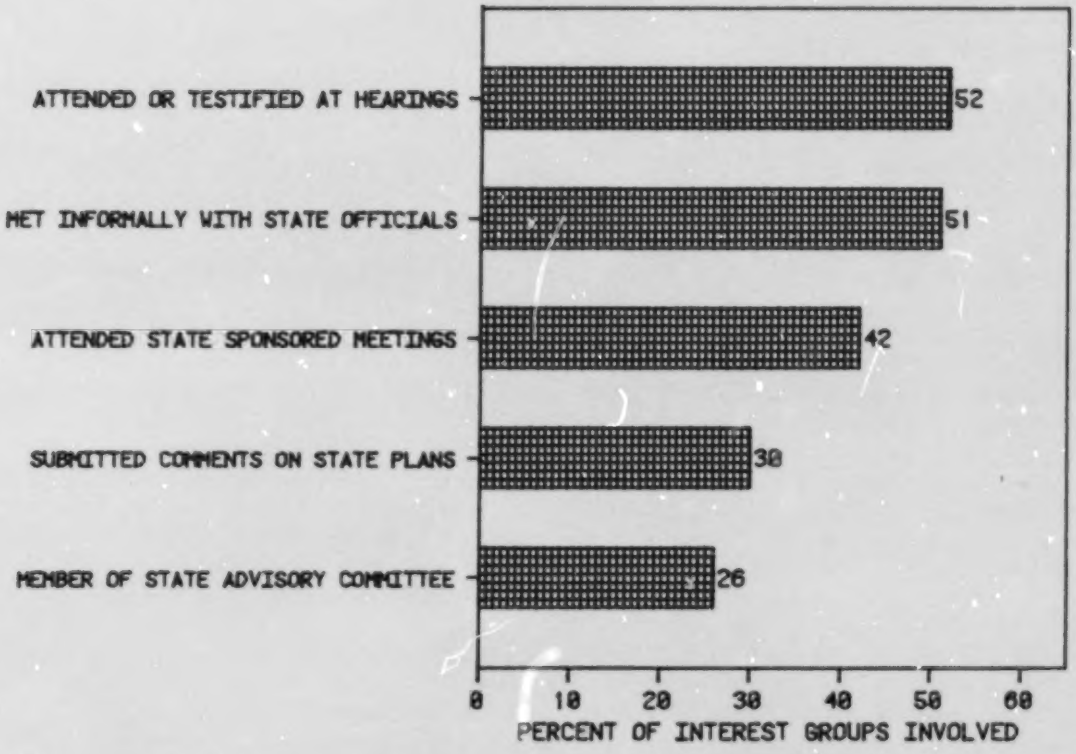
[2]We sent a questionnaire to interest groups in the 13 states, and 179 of the 786 respondents indicated they had some knowledge of programs funded by the education block grant. Not all 179, however, answered each question in our questionnaire. The number of responses to our questions ranged from 73 to 179. The actual numbers of respondents on a question-by-question basis are detailed in appendix VIII.

knowledge about the education block grant participated in various aspects of state processes for obtaining citizen input.

CHART 5.2
INTEREST GROUP PARTICIPATION IN THE
EDUCATION BLOCK GRANT INPUT PROCESS




NOTE: PERCENTAGES DERIVED FROM A BASE OF 170 RESPONDENTS

The most prevalent forms used by interest groups to provide input were hearings and informal meetings with state officials. Fifty-two percent of the responding interest groups attended or testified at hearings. Attendance and testimony were somewhat higher at executive rather than legislative hearings, as shown in table 5.3.

Table 5.3

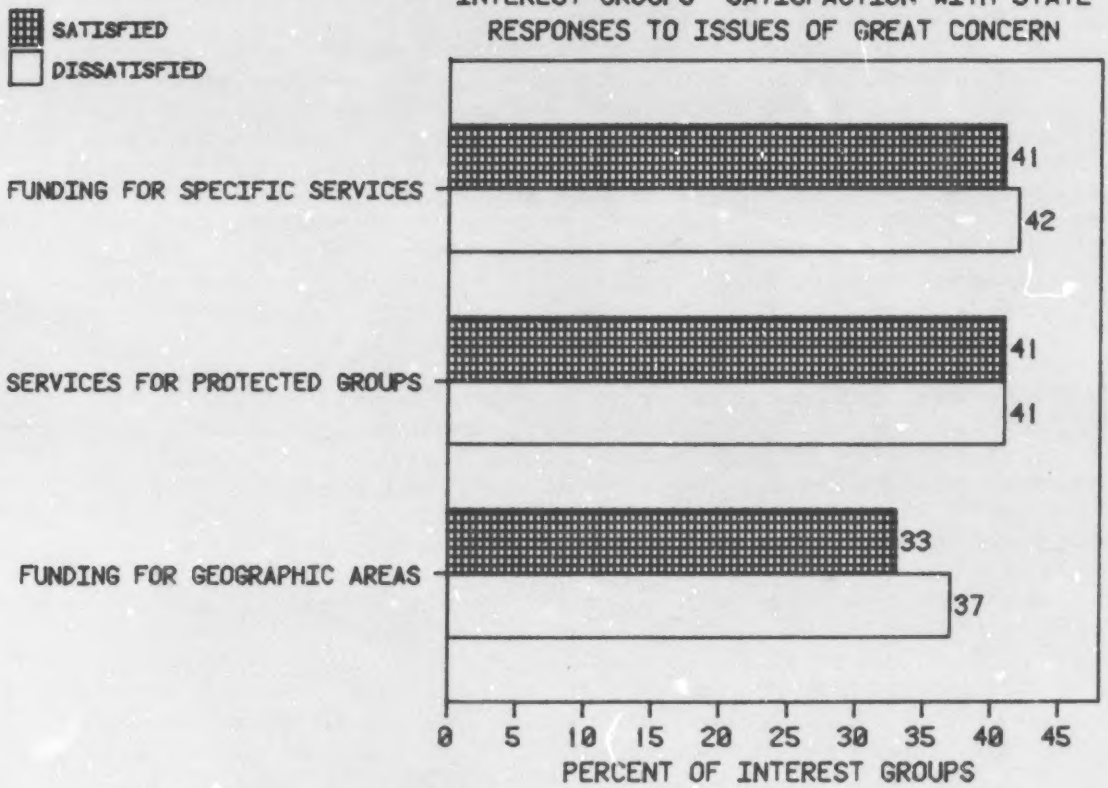
Percent of Interest Group Participation in Different Aspects of Hearings Process

| Aspect of process | Percent |
|---|---|
| Attendance at: | |
| Executive hearings | 43 |
| Legislative hearings | 31 |
| Testimony at: | |
| Executive hearings | 26 |
| Legislative hearings | 21 |

Interest group satisfaction with various state efforts to facilitate public input varied. However, a slightly larger share of interest group respondents were satisfied than dissatisfied with most state efforts (see app. VIII, table 2). The greatest percentage of groups were satisfied with the accessibility of state officials for consultation (64 percent). Also, a majority indicated satisfaction with the composition and role of advisory groups. The major points of dissatisfaction were with the availability of information before hearings and the opportunity to comment on revisions to state plans once they are in operation. While interest groups were often split in their assessments, those interest groups participating in a state's input process by attending or testifying at hearings, submitting comments on state plans, etc., were more satisfied than those groups not actively involved.

Many of the interest groups surveyed cited three issues as being of great concern to interest groups: maintaining or increasing funding for specific services; for services to protected groups, such as minorities and handicapped; and for geographic areas within a state. Program officials also noted that these issues were of great concern during executive branch hearings. Chart 5.3 shows interest groups were almost evenly split in their satisfaction with state responses to these key concerns.

CHART 5.3
INTEREST GROUPS' SATISFACTION WITH STATE RESPONSES TO ISSUES OF GREAT CONCERN




State and local officials and interest groups have different perceptions of block grant

Generally, state and local officials saw the block grant as a more favorable approach to funding education programs than did interest groups. Program officials in seven states, and gubernatorial staff in five states, said the education block grant gave them more flexibility than prior categorical programs. In addition, education program officials in 10 states believed that education block grant requirements were less burdensome than those of the prior categorical programs. Local school districts also perceived block grants to be more flexible and less burdensome. Large districts saw the block grant as even more flexible and less burdensome than did smaller districts.

Because 80 percent of the block grant funds have to be passed through to LEAs, SEA officials' views were somewhat mixed concerning the flexibility of the education block grant.

Specifically, for the 11 states providing information, education officials in 6 states believed that the block grant approach was a more desirable funding mechanism than the prior categorical approach. These same officials generally said that the block grant was more flexible and less burdensome than the prior categoricals. For example, Iowa program officials indicated that the block grant was more desirable because local districts have more control over the use of the funds and that the state was able to provide education assistance more efficiently with less red tape. In the other five states, one official saw no difference between the block grant and the prior categorical approach, while four believed the block grant was less desirable. For example, Massachusetts program officials reported that the block grant was less desirable since the state has no control over the local use of the funds.

Also, legislative leaders and gubernatorial staffs in 10 of the 13 states said block grants were a more desirable approach to funding programs than the categorical approach. Only 3 out of 39 responding legislative leaders believed that the block grants were less desirable; the other state officials that responded saw little or no difference between the approaches. Seventy-six percent of the LEAs we surveyed saw the block grant as a more desirable approach, while 5 percent found it less desirable and 19 percent saw little difference.

Interest groups, on the other hand, did not generally perceive the block grant approach to be a desirable method of funding education programs. Only 21 percent of interest group respondents said the education block grant was more desirable than the categorical programs, while 64 percent saw the approach as less desirable. The remaining 15 percent saw little or no difference. Those interest groups that were less satisfied with the block grant approach generally perceived that state block grant decisions on the allocation and use of funds had adversely affected those groups or individuals they represented.

## CONCLUSIONS

The mandated role of governors and legislators in the SAC and the limited increase in flexibility brought about by the consolidation of education categorical programs has contributed to the increased role of some governors and a majority of legislatures. Also, states used methods to obtain public input in addition to those required by the block grant legislation. States used advisory committees as well as the other sources of input when making program decisions. Similarly, local school districts used advisory committees to solicit public input.

Interest groups were generally pleased with their informal access to state officials; however, their assessments of other aspects of state efforts to facilitate public input were mixed. Many were dissatisfied with the availability of information before hearings and the timing of hearings in relation to the timing of state decisions. Also, they were evenly divided in their assessment of the adequacy of state responses to their primary concerns.

Most state and local officials, however, saw the block grant as less burdensome than the prior categorical programs and generally viewed it as a more desirable method of funding education programs. Several state education officials found the block grant approach to be less flexible than the prior categorical approach due to the 80-percent pass-through requirement. On the other hand, many interest groups generally viewed it to be a less desirable method of funding education programs and believed that state block grant decisions adversely affected the groups they represented.

## GAO REPORTS ISSUED TO DATE ON IMPLEMENTATION OF BLOCK GRANTS CREATED BY THE OMNIBUS BUDGET RECONCILIATION ACT OF 1981[a]

States Are Making Good Progress in Implementing the Small Cities Community Development Block Grant Program (GAO/RCED-83-186, Sept. 8, 1983)

Maternal and Child Health Block Grant: Program Changes Emerging Under State Administration (GAO/HRD-84-35, May 7, 1984)

States Use Added Flexibility Offered by the Preventive Health and Health Services Block Grant (GAO/HRD-84-41, May 8, 1984)

States Have Made Few Changes in Implementing the Alcohol, Drug Abuse, and Mental Health Services Block Grant (GAO/HRD-84-52, June 6, 1984)

States Fund an Expanded Range of Activities Under Low-Income Home Energy Assistance Block Grant (GAO/HRD-84-64, June 27, 1984)

States Use Several Strategies to Cope With Funding Reductions Under Social Services Block Grant (GAO/HRD-84-68, Aug. 9, 1984)

Community Services Block Grant: New State Role Brings Program and Administrative Changes (GAO/HRD-84-76, Sept. 28, 1984)

Federal Agencies' Block Grant Civil Rights Enforcement Efforts: A Status Report (GAO/HRD-84-82, Sept. 28, 1984)

[a]GAO plans to issue additional reports on block grants.

## OFFICE OF MANAGEMENT AND BUDGET'S

## LISTING OF PROGRAMS CONSOLIDATED

## INTO THE EDUCATION BLOCK GRANT

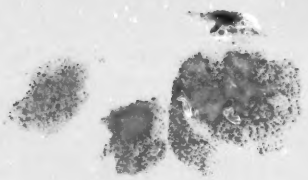
Civil Rights Technical Assistance and Training
Teacher Centers
Alcohol and Drug Abuse Education Program
Follow Through
Strengthening State Educational Agency Management
Teacher Corps - Operations and Training
Emergency School Aid Act - Basic Grants to Local Education Agencies
Emergency School Aid Act - Grants to Non-Profit Organizations
Emergency School Aid Act - Educational TV and Radio
Educational Television and Radio Programming
Use of Technology in Basic Skills Instructor
Ethnic Heritage Studies Program
National Diffusion Program
Career Education
Education for the Use of the Metric System of Measurement
Education for Gifted and Talented Children and Youth (State Administered and Discretionary Programs)
Community Education
Consumers' Education
Elementary and Secondary School Education in the Arts
Instructional Material and School Library Resources
Improvement in Local Educational Practice
International Understanding Program
Emergency School Aid Act - Magnet Schools, University/Business Cooperation and Neutral Site Planning
Career Education State Allotment Program
Basic Skills Improvement
Emergency School Aid Act - Planning Grants
Emergency School Aid Act - Pre-Implementation Assistance Grants
Emergency School Aid Act - Out-of-Cycle Grants
Emergency School Aid Act - Special Discretionary Assistance Grants
Emergency School Aid Act - State Agency Grants
Emergency School Aid Act - Grants for the Arts
Biomedical Sciences for Talented Disadvantaged Secondary Students
Pre-College Teacher Development in Science Programs
Secretary's Discretionary Program
Law-Related Education
Cities in Schools
PUSH for Excellence
Emergency School Aid Act - Evaluation Contracts

APPENDIX III

## STATE BLOCK GRANT ALLOCATIONS

| | 1981[a] | 1982 | 1983 | Percent change 1981-83 |
|---|---|---|---|---|
| Nationwide | $510,319,000 | $442,176,000 | $450,655,000 | -12 |
| California | 54,246,507 | 41,291,513 | 42,415,392 | -22 |
| Colorado | 5,470,881 | 5,222,993 | 5,394,131 | -1 |
| Florida | 15,189,568 | 15,925,153 | 16,495,899 | +9 |
| Iowa | 5,003,104 | 5,330,630 | 5,384,911 | +8 |
| Kentucky | 5,886,713 | 7,057,931 | 7,155,292 | +22 |
| Massachusetts | 10,653,970 | 10,173,811 | 10,198,136 | -4 |
| Michigan | 20,542,592 | 18,231,652 | 18,220,177 | -11 |
| Mississippi | 7,674,512 | 5,283,645 | 5,394,131 | -30 |
| New York | 48,291,827 | 31,340,643 | 31,599,467 | -35 |
| Pennsylvania | 20,340,163 | 20,966,546 | 21,087,827 | +4 |
| Texas | 27,272,790 | 27,672,974 | 29,026,882 | +6 |
| Vermont | 1,809,738 | 2,187,360 | 2,229,304 | +23 |
| Washington | 9,658,260 | 7,348,289 | 7,579,443 | -22 |
| Total | $232,040,625 | $198,033,140 | $202,180,992 | |

[a]Funding for the categorical programs consolidated into the block grant.



## TECHNICAL DESCRIPTION OF GAO'S SURVEY AND SAMPLING METHODOLOGY

In February 1984 we sent a questionnaire to a random sample of LEAs to obtain information concerning the administration of Chapter 2 of the Education Consolidation and Improvement Act. In the 13 states we sampled LEAs with enrollments of over 50 students during SY 1982-83.

This appendix contains a technical description of our survey design, pretesting of the questionnaire, selection of the sample, calculation of the effective universe and sample size, and calculation of the nonresponse rate and sampling error.

### QUESTIONNAIRE DESIGN

The questionnaire was designed to elicit the LEAs' experiences and opinions about the administration of Chapter 2. Specifically, we asked LEAs

--the amount of Chapter 2 funds they received,

--how Chapter 2 funds were used,

--who was involved in Chapter 2 funding decisions,

--the procedures used to obtain citizen views, and

--general impressions concerning the block grant.

### PRETESTING THE QUESTIONNAIRE

Before the questionnaire was used, it was pretested in three LEAs that had received Chapter 2 funds in SY 1982-83. The LEAs represented the various sizes likely to be found in the population surveyed.

In the first phase of the pretest, LEA Chapter 2 officials completed a questionnaire as if they had received it in the mail. A trained GAO observer noted unobtrusively the time it took to complete each question and any difficulties the subject experienced. During the second phase, a standardized procedure was used to elicit the subjects' description of the various difficulties and considerations encountered as they completed each item. The procedure used only nondirect inquiries to ensure that the subject was not asked leading questions.

Based on the results of the pretest, we revised the questionnaire to ensure that (1) the potential subjects could and would provide the information requested and (2) all questions were fair, relevant, easy to answer, and relatively free of design flaws that could introduce bias or error into the study results. We also tested to insure that the task of completing the questionnaire would not place too great a burden on the LEA Chapter 2 official.

## SELECTING THE SAMPLE, CALCULATING THE EFFECTIVE UNIVERSE AND SAMPLE SIZE

The universe for our sample was a list of 5,543 LEAs with enrollments of over 50 students included in a master data file completed by the National Center for Educational Statistics. The universe was stratified by size for each state. Small, medium, and large LEAs were grouped for each state based on the number of LEAs that fell below -1 standard error of the mean, between -1 and +1 standard error of the mean, and above +1 standard error of the mean, respectively.

A stratified, random sample of 1,332 LEAs was drawn to obtain an overall sampling error of ± 3 percent at the 95-percent confidence level. This sampling plan makes it possible to analyze the data in relation to each LEA and to examine the operation of Chapter 2 of all LEAs in the 13 states. Table 1 shows the estimated number of LEAs that would have responded had we sent the questionnaire to all 5,543 LEAs.

The questionnaire was administered through the mail. The data were collected between February and June 1984. A follow-up letter was sent to those who failed to respond 6 weeks after the initial mailing. Six weeks later a follow-up mailgram was sent to those who still had not responded.

Table 1

| State/size | Original universe | Sample size | Valid response | Adjusted universe |
|---|---|---|---|---|
| California: | | | | |
| Small | 711 | 96 | 86 | 637 |
| Medium | 39 | 6 | 6 | 39 |
| Large | 214 | 28 | 28 | 214 |
| Colorado: | | | | |
| Small | 144 | 66 | 53 | 116 |
| Medium | 8 | 4 | 4 | 8 |
| Large | 27 | 12 | 10 | 22 |

APPENDIX IV

| State/size | Original universe | Sample size | Valid response | Adjusted universe |
|---|---|---|---|---|
| Florida: | | | | |
| Small | 46 | 46 | 40 | 40 |
| Medium | 8 | 8 | 7 | 7 |
| Large | 13 | 13 | 11 | 11 |
| Iowa: | | | | |
| Small | 337 | 87 | 76 | 295 |
| Medium | 21 | 5 | 5 | 21 |
| Large | 86 | 22 | 21 | 82 |
| Kentucky: | | | | |
| Small | 118 | 54 | 53 | 117 |
| Medium | 21 | 10 | 9 | 19 |
| Large | 42 | 19 | 18 | 40 |
| Massachusetts: | | | | |
| Small | 202 | 62 | 52 | 170 |
| Medium | 21 | 6 | 5 | 17 |
| Large | 123 | 38 | 34 | 110 |
| Michigan: | | | | |
| Small | 372 | 81 | 72 | 331 |
| Medium | 47 | 10 | 10 | 47 |
| Large | 126 | 29 | 29 | 126 |
| Mississippi: | | | | |
| Small | 87 | 44 | 43 | 85 |
| Medium | 15 | 8 | 8 | 15 |
| Large | 50 | 25 | 21 | 42 |
| New York: | | | | |
| Small | 561 | 92 | 87 | 533 |
| Medium | 81 | 14 | 12 | 69 |
| Large | 106 | 18 | 16 | 94 |
| Pennsylvania: | | | | |
| Small | 366 | 78 | 72 | 338 |
| Medium | 58 | 14 | 12 | 50 |
| Large | 110 | 27 | 26 | 106 |
| Texas: | | | | |
| Small | 831 | 119 | 104 | 727 |
| Medium | 37 | 5 | 5 | 37 |
| Large | 180 | 26 | 25 | 173 |
| Vermont[a] | 59 | 59 | 50 | 50 |
| Washington: | | | | |
| Small | 196 | 71 | 67 | 185 |
| Medium | 12 | 5 | 4 | 10 |
| Large | 68 | 25 | 24 | 65 |
| Total | 5,543 | 1,332 | 1,205 | 5,048 |

[a]Vermont LEA enrollment counts were not available before the mailing of the questionnaire. Therefore, universe size figures were not available.

## CALCULATING THE NONRESPONSE RATE AND SAMPLING ERROR

The overall nonresponse rate was about nine percent. Because we selected a statistical sample of LEAs in the 13 states, each estimate developed from the sample has a measurable precision, or sampling error. The sampling error is the maximum amount by which the estimate obtained from a statistical sample can be expected to differ from the true universe characteristic (value) we are estimating. Sampling errors are usually stated at a certain confidence level--in this case 95 percent. This means the chances are 19 out of 20 that, if we surveyed all LEAs in the 13 states, the results of such a survey would differ from the estimates obtained from our sample by less than the sampling errors of the such estimates.

The table below presents selected estimates and their associated sampling error at the 95-percent confidence level.

| Question category | Percent response | Sampling error(+) | Estimated universe | Sampling error(+) |
|---|---|---|---|---|
| Funded SY 1982-83 | 97.757 | .920 | 4,929 | 46 |
| Funding for classroom instruction | 86.321 | 1.988 | 4,352 | 100 |
| Funding for student support services | 93.314 | 1.435 | 4,705 | 72 |
| Funding for staff development | 83.35 | 2.150 | 4,202 | 108 |
| Funding for curriculum development | 80.452 | 2.253 | 4,056 | 114 |
| Funding for student assessment | 79.320 | 2.314 | 3,999 | 117 |
| Funding for desegregation | 76.861 | 2.379 | 3,875 | 120 |
| Funds to audio-visual SY 1982-83 (N=4846)[a] | 12.80 | 1.291 | - | - |
| Funding to in-service SY 1982-83 (N=4846) | 5.706 | .867 | - | - |
| Funding to books SY 1982-83 (N=4846) | 29.139 | 1.856 | - | - |
| Funding to contracts SY 1982-83 (N=4846) | 4.609 | .774 | - | - |
| Funding to computers SY 1982-83 (N=4846) | 33.389 | 1.936 | - | - |
| Funding to salaries SY 1982-83 (N=4846) | 8.035 | 1.586 | - | - |
| Amount of award SY 1982-83 | - | - | $142,812,500 | $39,677,100 |

[a]N=4846 - Represents the estimated universe of LEAs that allocated Chapter 2 funds to audio-visual, in-service training, books, contracts, computers, and/or salaries in SY 1982-83.

## DESCRIPTION OF GAO'S

## DATA COLLECTION METHODOLOGY

To obtain information concerning the implementation and administration of block grants in 13 states, we collected data from two sets of sources:

1. Individuals or organizations having interest in a single block grant, such as the state office that administers the block grant.

2. Individuals or organizations potentially having interest in more than one block grant, such as groups within the state legislature.

In some instances we obtained data directly from records available at organizations we visited; however, most of the data were provided to us by individuals or organizations. Most data collection took place during the period October 1983 to April 1984.

We developed four data collection instruments for use in obtaining information from the first set of sources referred to above and five for use in obtaining information from the second set of sources. The instruments we used to obtain information from sources having interest in a single block grant were:

--Program Officials Questionnaire.

--Financial Information Schedules.

--State Audit Guide.

--Local Education Agencies Questionnaire.

Almost identical versions of the Program Officials Questionnaire were used for all block grants we reviewed. The other three instruments listed above were to a much greater degree tailored to the specific block grant.

Questionnaires were used to obtain information from sources with potential interest in more than one block grant. The five respondent groups for these questionnaires were

--governors' offices,

--state legislative leadership,

--state legislative committees,

--state legislative fiscal officer(s), and

--public interest groups.

The approach we generally took with these questionnaires was to ask about the respondent's specific experience with the block grants and then ask some questions about general impressions and views concerning the block grant concept.

The primary focus of our study was at the state level; thus, most of our data collection took place there. Even when collecting data from other than the state level, state implementation and administration remained our major interests. The questions in the Public Interest Groups Questionnaire concerned the group's views as to the manner in which the state implemented and administered each block grant. The purpose of the Local Education Agency Questionnaire was to obtain the perspective of a representative sample of LEAs on how Chapter 2 is operating at the school district level.

The questionnaires were pretested and subjected to external review before their use. The extent of pretest and review varied with the questionnaire, but in each case one or more state officials or organizations knowledgeable about block grants received copies of the questionnaire and provided their comments on it.

The Financial Information Schedules were discussed with other organizations that had obtained similar information at the state level in the past. The topics to be included in the LEA questionnaire were discussed with LEAs before the final instrument was produced.

The sections below present a detailed description of the contents of each of the data collection instruments, as well as information on the source of the data and the method by which the instrument was administered.

## PROGRAM OFFICIALS QUESTIONNAIRE

### Content

This questionnaire was designed to elicit information about the administration of the block grant. It asked state program officials about

--the ways in which the state established priorities and program objectives,

--the procedures used to obtain the views of citizens and other interested groups,

--the scope of the state's data collection efforts,

--the extent to which technical assistance was provided to state and local recipients,

--the state's procedures and practices for monitoring LEAs, and

--the state's general impressions concerning block grants.

Source of information

The questionnaires were completed by officials or their representatives in the program offices primarily responsible for administering the block grant in the 13 states included in our study. We specified in the questionnaire that the responses should represent the official position of the program office.

Method of administration

Our field staff identified the senior program official in each state and delivered the questionnaire to the office of that official. The state program official was asked to complete the questionnaire with help, if necessary, from other staff and return the questionnaire to our representative who delivered it. A series of selective follow-up questions were developed to obtain additional information, primarily when certain responses were given.

FINANCIAL INFORMATION SCHEDULES

Content

The purpose of these schedules was to obtain the best available data on how states and LEAs were spending block grant funds on elementary and secondary education program areas. These schedules show for 1981, 1982, and 1983 the amount of funding in each predecessor categorical program area from:

--Federal categorical funds going through the state government.

--Block grant funds.

In addition, using similar categories we collected funding data at the state level showing how LEAs proposed to use their Chapter 2 funds.

Source of information

The funding data were obtained from program budget information available at the state level.

Method of administration

Our staff worked with state program and budget officials to complete our pro forma funding schedules.

STATE AUDIT GUIDE

Content

Our field staff used this audit guide to collect information on the state administration and management of the education block grant. The areas covered in this guide included

--reviewing the overall state education planning process and determining how planning for the education block grant funds and programs fit into this process,

--determining how the states allocated education block grant funds to LEAs,

--determining the roles and responsibilities of the SACs, and

--identifying the administrative structure used by the state to provide education programs.

Source of information

The information was obtained from state documents and through interviews with state officials.

Method of administration

A detailed audit guide was used by our field staff to obtain this information. Follow-up meetings were held with state officials for further information or clarification of data.

## LOCAL EDUCATION AGENCY QUESTIONNAIRE

### Content

This questionnaire was designed to elicit information about how the education block grant is operating at the LEA level. It asked LEA officials about

--the amount of Chapter 2 funds they received,

--how Chapter 2 funds were used as compared to funds received under the antecedent categorical programs,

--who was involved in deciding how Chapter 2 funds would be used,

--the procedures used to obtain the views of citizens and other interested groups, and

--the LEA's general impressions concerning the block grant.

### Source of information

The questionnaires were completed by officials responsible for administering the LEA.

### Method of administration

The questionnaires were mailed to a representative sample of small, medium, and large LEAs in the 13 states. A follow-up letter and mailgram were sent to those who failed to respond within 6 and 12 weeks, respectively, after the initial mailing. Of the 1,332 LEAs in our sample, 1,205 responded to the questionnaire.

## GOVERNOR'S OFFICE QUESTIONNAIRE

### Content

This questionnaire focused on the role played by the governor and his office in implementing and administering the block grants. Questions included were

--the extent of the governor's involvement in the decision-making process regarding block grant funding and administration,

--what the governor did to obtain information or exercise control over the setting of state program priorities,

--whether there are any changes anticipated in the way in which the governor will exercise control in the future,

--if additional federal technical assistance would have been useful, and

--what the governor's general impression was about block grants.

Source of information

The questionnaire was completed by the governor or a representative designated by the governor.

Method of administration

The questionnaires were mailed directly to the governors, with all governors or their designated representative responding. When completed, the questionnaires were returned to one of our representatives.

STATE LEGISLATIVE LEADERSHIP QUESTIONNAIRE

Content

This questionnaire was used to obtain information about the perceptions of state legislative leaders concerning block grants. The questions asked legislative leaders included

--how block grants affected the way in which the state legislature set program and funding priorities,

--what the major benefits were of funding programs through block grants,

--how block grants could be improved, and

--their general impressions about block grants,

Source of information

We compiled a list of legislative leaders based on a publication by the Council of State Governments, State Legislative Leadership; Committees and Staff, 1983-84. Generally there were four per state: the presiding officer of the senate, the senate minority leader, the speaker of the house, and the house minority leader. A total of 48 questionnaires were administered, and 40 completed questionnaires were returned, for a response rate of 83 percent.

Method of administration

Our staff delivered the questionnaire to the offices of the legislative leaders in each state. We asked that they complete the questionnaire and return it to our representative who delivered it.

STATE LEGISLATIVE COMMITTEES QUESTIONNAIRE

Content

The questionnaire requested information about public hearings concerning block grants held by committees of the state legislature in the 13 states. Questions included were

--how many hearings were held and where,

--who sponsored the public hearings,

--what mechanisms were used to inform citizens that hearings were being held,

--who testified at the hearings, and

--what were the concerns of those testifying.

Source of information

Our field staff attempted to identify those committees in each state that held public hearings for the 1983 block grants. The questionnaires were completed by senior committee staff responsible for organizing public hearings on block grants. Twenty-eight committees received questionnaires, and all completed and returned them.

Method of administration

Our staff delivered the questionnaire to each legislative committee that held public hearings for 1983 block grants. A senior committee staff member was requested to complete the questionnaire and return it to our staff member who delivered it. We followed up on selected questions for additional information.

## STATE LEGISLATIVE FISCAL OFFICER QUESTIONNAIRE

### Content

The purpose of this questionnaire was to obtain information about the procedures used by the state legislatures to control and monitor block grant programs. Specifically, we asked

--what control or monitoring mechanisms the state legislature has and whether they have changed since block grants were implemented by the state,

--how block grant funds are appropriated,

--whether public hearings led to changes in the use of block grant funds,

--what role the legislature played in changing executive agencies' block grant plans or proposals, and

--the fiscal officer's general impressions about block grants.

### Source of information

Legislative fiscal officers are generally the directors of the permanent, professional staffs of state legislatures. To identify the appropriate staff persons to whom we should direct our questionnaire, we sought the assistance of the National Conference on State Legislatures, the National Association of State Fiscal Officers, and the Council of State Governments.

### Method of administration

Our staff delivered 19 questionnaires to fiscal officers in the 13 states. Seventeen were completed and returned, for an 89-percent response rate. We followed up on questions for additional information, as needed.

## PUELIC INTEREST GROUP QUESTIONNAIRE

### Content

This questionnaire asked various public interest groups about

--their involvement with and perceptions of block grants,

--their perceptions about the state's efforts to solicit and incorporate citizen input into state decisions made on block grants,

--their views as to the impact of changes made by the state on those represented by the group, and

--their perceptions of changes in civil rights enforcement as a result of block grants.

Source of information

The names and addresses of interest groups were obtained from several sources. Initially we contacted about 200 national level organizations and asked if they had state affiliates that might have dealt with the implementation of the block grants. From those that responded affirmatively, we requested the names and addresses of their state affiliates. A list of 200 national level organizations was developed by GAO staff.

This list was supplemented, where possible, by lists of interest groups compiled from attendance rosters kept by state agencies during their public hearings. The availability and usefulness of these lists varied by state.

Once an initial list was compiled, we sent it to our staff in each of the 13 states. They, in turn, showed these lists to state officials involved with the block grants and to a small, diverse group of respondents on the lists. These groups provided corrections and recommended additions of groups that they felt were active in block grant implementation but were not on our initial list.

The results of the selection process were not intended to be viewed as either the universe of public interest groups knowledgeable about block grants or a representative sample of public interest groups for any state or block grant. We believe, however, the interest groups we contacted provided a diverse cross-section of organizations knowledgeable about the education block grant implementation.

Method of administration

Questionnaires were mailed to the identified public interest groups with an enclosed, stamped, pre-addressed envelope. A follow-up letter and questionnaire were sent to those who failed to respond within 3 weeks after the initial mailing.

APPENDIX V

Of the 1,662 groups on our final list, 786 returned completed questionnaires, for a 47-percent response rate. Of the completed questionnaires, 179 indicated that they had at least some knowledge of the implementation of the education block grant in the state in which their organization was located.

APPENDIX VI

## LEA RESPONSES TO QUESTIONS CONCERNING EXTENT OF INVOLVEMENT OF DIFFERENT GROUPS IN CHAPTER 2 PLANNING PROCESS

| | Percent very greatly to moderately involved | Percent slightly to not involved | Percent of no basis to judge | Percent of total estimated universe |
|---|---|---|---|---|
| Local school board | 71 | 29 | <1 | 96 |
| Teachers | 87 | 13 | <1 | 97 |
| Parents | 58 | 41 | 1 | 95 |
| Public school administrators | 98 | 2 | 0 | 97 |
| School building advisory committee | 53 | 40 | 7 | 94 |
| District level advisory | 62 | 32 | 6 | 93 |

APPENDIX VII

## LEA RESPONSES TO QUESTIONS CONCERNING FUNDING OF CHAPTER 2 ACTIVITIES FROM SCHOOL YEAR 81-82 TO SCHOOL YEAR 83-84

### Support of Classroom Instruction

| | Estimated percent yes | Estimated percent no | Percent of total estimated universe |
|---|---|---|---|
| SY 81-82 | 51 | 49 | 84 |
| SY 82-83 | 63 | 37 | 84 |
| SY 83-84 | 64 | 36 | 83 |

### Support of Student Services

| | Estimated percent yes | Estimated percent no | Percent of total estimated universe |
|---|---|---|---|
| SY 81-82 | 80 | 20 | 91 |
| SY 82-83 | 81 | 19 | 91 |
| SY 83-84 | 80 | 21 | 89 |

### Support of Staff Services

| | Estimated percent yes | Estimated percent no | Percent of total estimated universe |
|---|---|---|---|
| SY 81-82 | 27 | 74 | 80 |
| SY 82-83 | 45 | 55 | 82 |
| SY 83-84 | 45 | 55 | 80 |

### Support of Curriculum Development

| | Estimated percent yes | Estimated percent no | Percent of total estimated universe |
|---|---|---|---|
| SY 81-82 | 23 | 77 | 78 |
| SY 82-83 | 36 | 64 | 78 |
| SY 83-84 | 39 | 61 | 77 |

APPENDIX VII

Support of Student Assessment Activities

| | Estimated percent yes | Estimated percent no | Percent of total estimated universe |
|---|---|---|---|
| SY 81-82 | 18 | 82 | 78 |
| SY 82-83 | 20 | 80 | 78 |
| SY 83-84 | 21 | 80 | 76 |

Support for Desegregation Activities

| | Estimated percent yes | Estimated percent no | Percent of total estimated universe |
|---|---|---|---|
| SY 81-82 | 3 | 97 | 76 |
| SY 82-83 | 4 | 97 | 75 |
| SY 83-84 | 4 | 96 | 74 |

## INTEREST GROUP RESPONSES TO QUESTIONS CONCERNING IMPLEMENTATION OF THE EDUCATION BLOCK GRANT

### Table 1

### Change in the Level of Activity for Interest Groups with Knowledge of the Education Block Grant

| | Percent increase | Percent same | Percent decrease | Number of respondents |
|---|---|---|---|---|
| With state program officials | 41 | 47 | 11 | 116 |
| With state legislature | 38 | 51 | 10 | 117 |

### Table 2

### Education Interest Group Satisfaction With State Methods of Facilitating Public Input Into Education Block Grant Decisions

| Hearings | Percent satisfied | Percent dissatisfied | Number of respondents |
|---|---|---|---|
| Degree of advance notice | [illegible] | 32 | 106 |
| Number of hearings held | 4[illegible] | 31 | 103 |
| Time and location of hearings | 46 | 26 | 102 |
| Availability of information before hearing | 30 | 49 | 104 |
| Time allotted to block grants | 49 | 21 | 97 |
| Timing of hearings relative to state's decision-making process | 36 | 41 | 95 |

| Hearings | Percent satisfied | Percent dissatisfied | Number of respondents |
|---|---|---|---|
| Comments on state plans | | | |
| Availability of copies of state intended use plans | 43 | 42 | 108 |
| Length of comment period on state intended use plan | 36 | 31 | 99 |
| Timing of comment period relative to state's allocation decision-making process | 32 | 38 | 96 |
| Opportunity to comment on revised plans | 27 | 54 | 102 |
| Advisory committees | | | |
| Role of advisory committees | 55 | 28 | 93 |
| Composition of advisory committees | 50 | 26 | 92 |
| Informal contact | | | |
| Accessibility of state officials for informal contact on block grants | 64 | 18 | 103 |

Table 3

Degree of Satisfaction With State Responses to Issues of Great Concern to Interest Groups With Knowledge of the Block Grant

| | Percent satisfied | Percent dissatisfied | Percent neutral | Number of respondents |
|---|---|---|---|---|
| Need to maintain or increase funding for specific services | 41 | 42 | 16 | 99 |
| Need to maintain or increase funding for protected groups | 41 | 41 | 19 | 91 |
| Need to maintain or increase funding for geographic areas | 33 | 37 | 30 | 73 |

Table 4

Did Changes Made by States Have a Favorable or Adverse Effect on Individuals or Groups Represented by Interest Groups That Had Knowledge of the Block Grant?

| Percent favorable | Percent adverse | Percent unsure/no effect | Number of respondents |
|---|---|---|---|
| 22 | 57 | 21 | 116 |

Table 5

Are Block Grants a More or Less Desirable Way of Funding Education Programs Than Were Categorical Grants?

| Percent more desirable | Percent equally desirable | Percent less desirable | Number of respondents |
|---|---|---|---|
| 21 | 15 | 64 | 121 |

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